Mid-Year Outlook

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Checking In on Our 2026 Themes

The Discipline Dividend at Mid-Year

As we pass the midway point of the year, it is easy to think a full year's worth of events has already come to pass. The One Big Beautiful Bill's stimulus landed in investors' pockets, the Supreme Court ruled numerous executive order tariffs unlawful, and an oil shock and military conflict arrived in Iran. Software businesses went, and are still going, through their own existential moment, a new Fed chair took center stage, and SpaceX went public in the largest IPO in history, listing at a valuation above anything markets have seen. And we're just getting warmed up. Despite it all, markets have hummed along, with the exception of their pullback in March following the closure of the Strait of Hormuz. Why? Quite simply, fundamentals.

Companies around the globe have been reporting growing profits, some extraordinarily so. While everything we listed above mattered before, and matters still, six consecutive quarters of double-digit earnings growth have guided investors to see past the rest, and rightfully so. Revenues in the U.S. have grown by 11.9% over the past year and earnings by 28.8%, and U.S. companies sit atop record profit margins. The difference versus recent years is that growth has not been confined to a handful of companies. The equal weight index is outperforming the cap-weighted index by nearly 2% through June, small cap stocks have returned more than twice as much as their larger peers, and emerging markets are off to another great start in 2026, doing so in spite of China's year-to-date sluggishness. Meanwhile, consumers echoed this optimism in their actions (spending) though not in their mood (sentiment), all while facing higher prices at the pump. In short, the first half of 2026 has been an extraordinary mid-cycle run, with AI at the center of the story but, notably, no longer the whole of it. That does not mean markets are without risk. In focusing so singularly on earnings, the market has taken its eye off the Middle East. The global economy is waiting with bated breath for resolution and the return of free-flowing resources, but the parties remain stubbornly far apart.

Source: FactSet Earnings Insight as of June 26, 2026

Additionally, consumer spending has been strong, but the power behind it has come from tapping savings as wages struggle to keep up with inflation amid energy spikes. That works for a time, but not forever. As we look to the second half of the year, we remain guardedly optimistic. In the following pages, we outline the key developments that have shaped where we stand today and how we believe portfolios should be positioned for tomorrow. We check in on the three themes we set out in December (AI Playbook, *Navigating Valuation* and *Noise Resistance) and find the groundwork holding*. Our positioning within U.S. equities and across the globe has been additive thus far, and we believe our conservative positioning in fixed income is both justified and a partial offset to the risks noted above. Consistent with the discipline we described in December, we see little need for wholesale change at mid-year. As we wrote then, sometimes no action is the best action.

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We’re experiencing an extraordinary mid-cycle run, with AI at the center of the story but no longer the whole of it.

Bradford L. Long, CFA
Managing Partner
Chief Investment Officer

AI Playbook

In December we committed to watching, not guessing, on the bubble question, and to measured exposure over all-in or all-out. At mid-year, our conclusion is unchanged: not a bubble yet. Capital spending remains largely cash-flow funded and demand still outpaces supply, though rising debt issuance is the trend we watch most closely. More telling, the AI Flywheel has been working and broadening. Through June, industrials and energy are leading U.S. markets alongside technology, small caps outpaced large, and emerging markets lead the world. The theme's beneficiaries now stretch well beyond the obvious names into areas our portfolios were positioned for.

Navigating Valuation

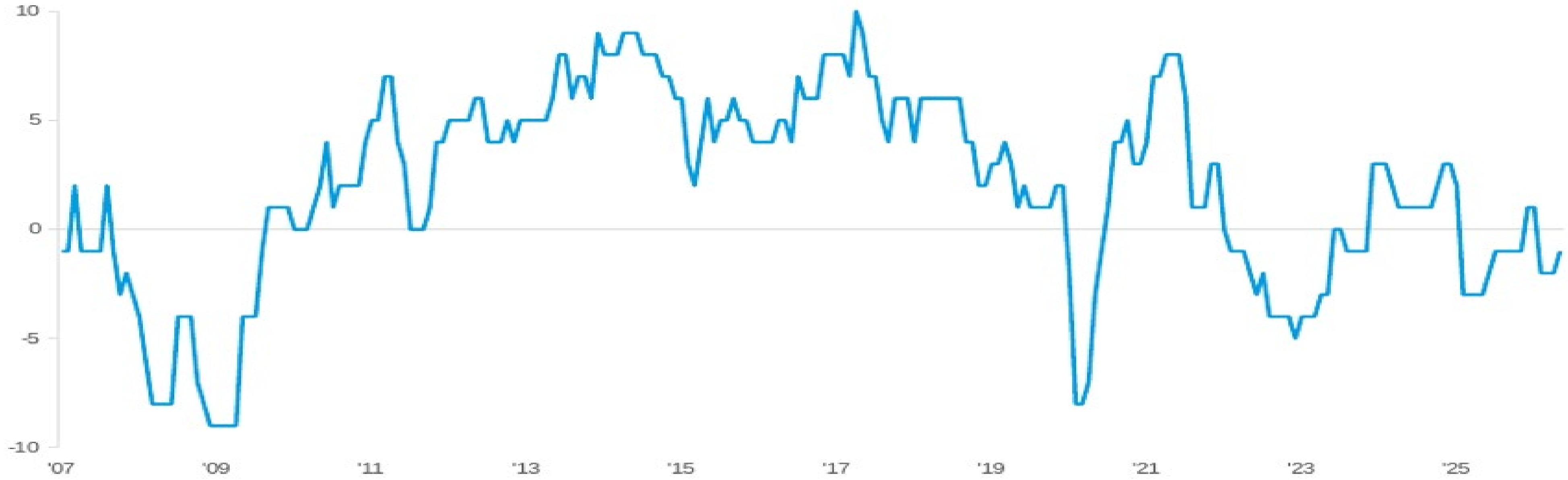
Valuations remain full across most markets, but earnings have kept up: six consecutive quarters of double-digit growth and record margins carried prices, rather than multiple expansion. With the economy and fundamentals strong, we remain guardedly optimistic, though our long-term return forecasts stay modest given where valuations sit. Fixed income continues to offer attractive risk-adjusted return and ballast against a fully valued backdrop, and we have resisted reaching down in quality with credit spreads near all-time tights.

Noise Resistance

The year supplied the test: an oil shock, a military conflict, a new Fed chair and a record IPO. That markets moved through the Middle East conflict is Noise Resistance in its purest form, and manufacturing is another, with PMIs expanding all year in spite of tariff volatility. The discipline of seeing past headlines to fundamentals has been the year's best-rewarded decision, and it remains ours.

Economic Backdrop: Middle East Shock, Not Derailment

Economic Balance Sheet Diffusion Index



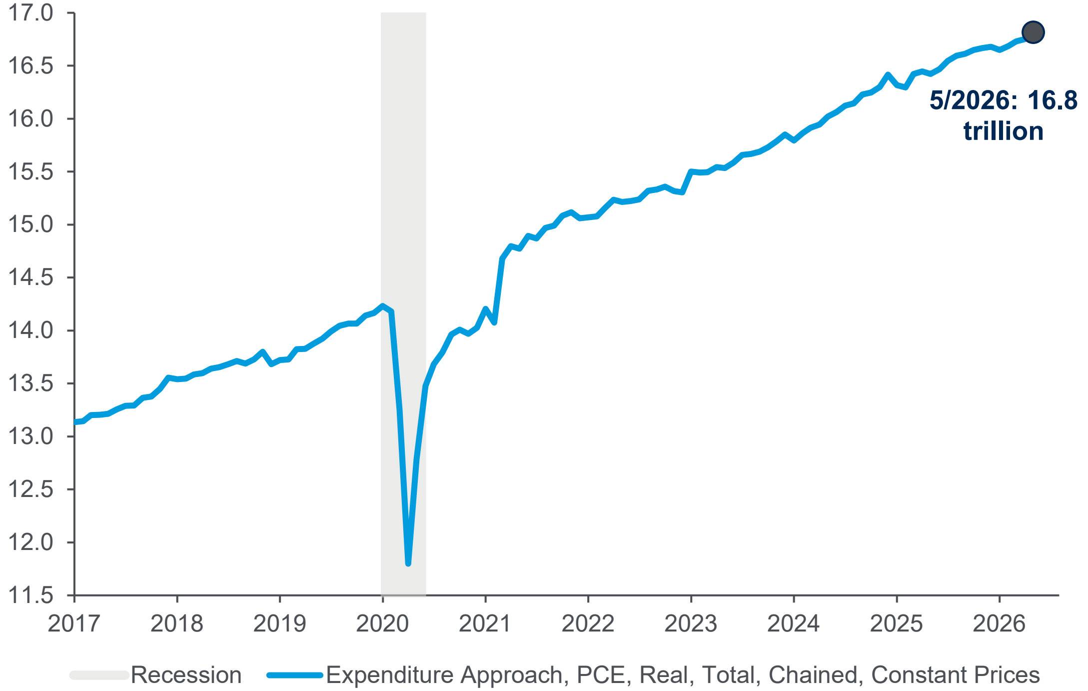
Source: Strategas as of June 26, 2026

February's strikes on Iran delivered exactly the kind of shock that tests an expansion. As Strategas' economic balance sheet diffusion index shows, the hit was real but contained. The index slipped from positive in January to negative as oil surged and inflation pressures built. By May it had already recovered. Four sectors (consumer spending, capital expenditures, manufacturing and employment) now rate as assets, the most in at least a year.

Consumers continue to power the economy, supported by a labor market that has demonstrated stability. May payrolls rose with upward revisions to prior months, unemployment held near 4.3% and jobless claims remained low. Manufacturing, in expansion since January, has added an engine that was largely missing in recent years. Still, inflation remains persistent, consumer confidence is soft and the twin government and trade deficits linger. The remarkable resilience is Noise Resistance at work.

Economic Backdrop: Heads Down, Still Spending

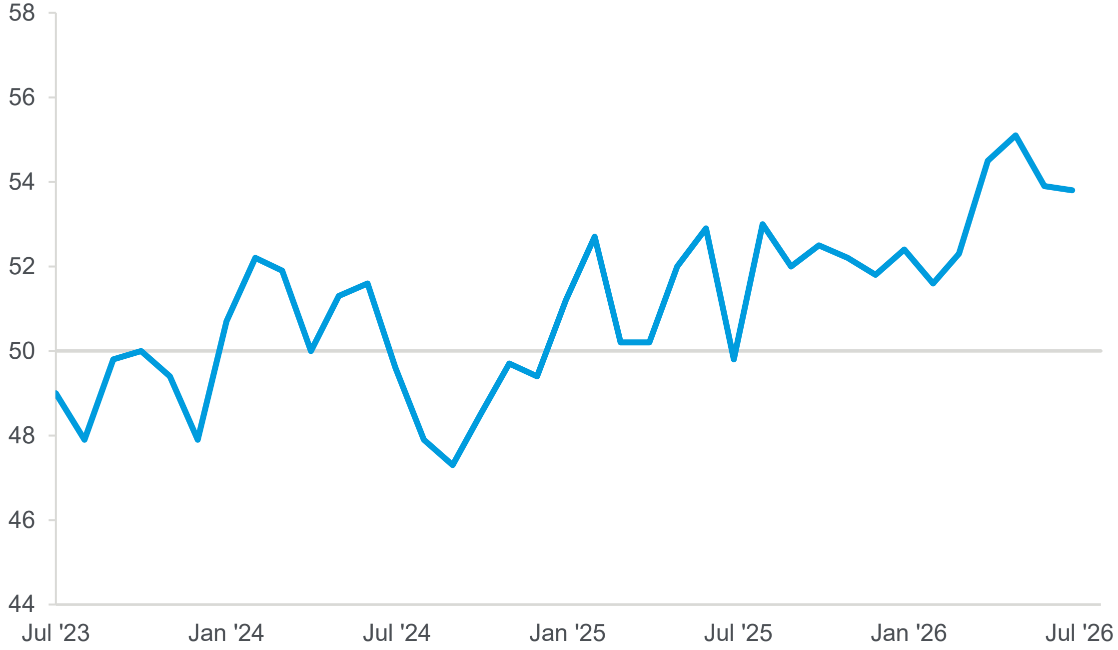
U.S. Real Personal Consumption



Source: U.S. Bureau of Economic Analysis, Real Personal Consumption Expenditures [PCEC96], chained 2017 dollars, SAAR, retrieved from FRED (St. Louis Fed) 31 Jul 2026. Shaded band: NBER recession, Feb–Apr 2020.

Consumer confidence sits near record lows, yet real personal consumption expenditures climbed to $16.8 trillion annualized in May despite tariffs, a Middle East shock and inflation. Over the same period, wage growth fell modestly behind inflation (3.5% vs 4.2%). The gap was filled by personal savings and fiscal stimulus. The savings rate fell to 3%, near its post-pandemic lows, and one-time tax refunds provided a cushion. That is sustainable for a time, not indefinitely, and it is a trend we are watching closely.

U.S. Manufacturing

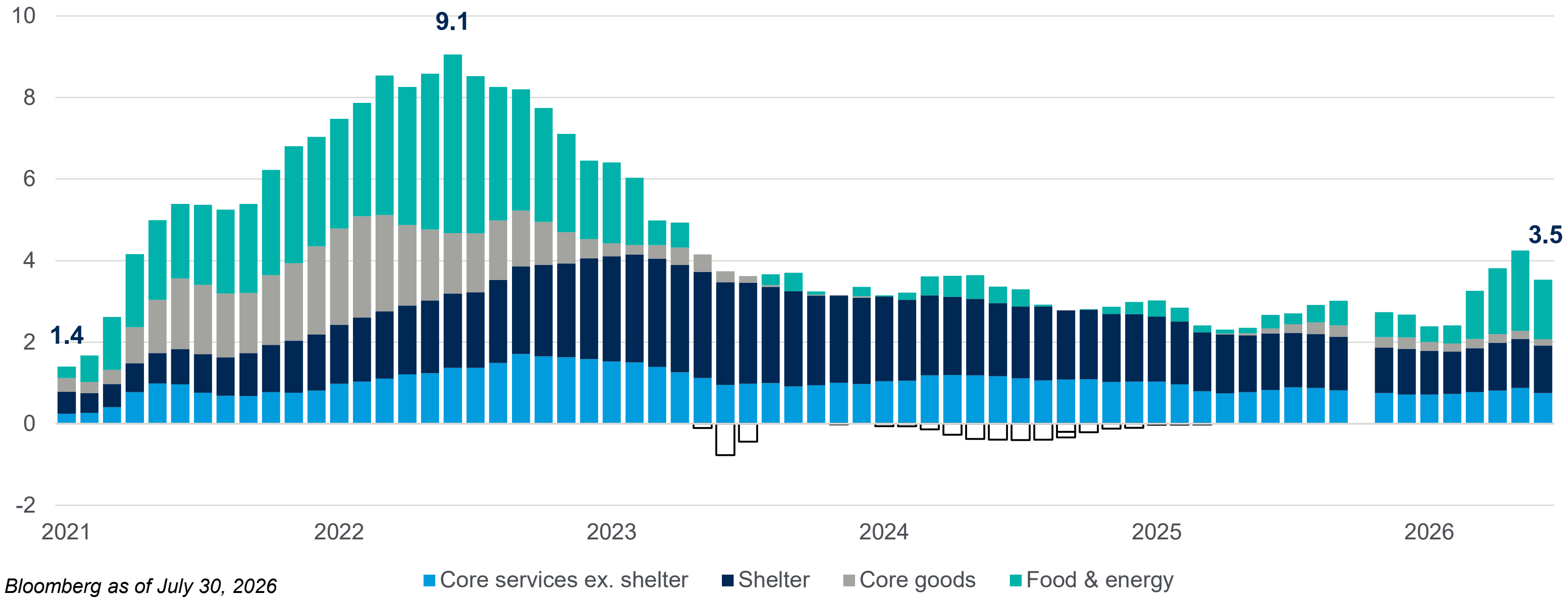


Source: S&P Global US Manufacturing PMI (MPMIUSMA), seasonally adjusted. Monthly, Jul 2023 to Jul 2026; readings above 50 indicate expansion.

Manufacturing tells a more encouraging story. After roughly three years in a slump, the sector has been in expansion all year, and May's PMI reading was the strongest in four years. AI infrastructure investment and aerospace demand led the way, with new orders and production pointing to broadening strength rather than isolated pockets. The yellow flag is input costs: producer prices rose 6.5% year over year through May, the fastest pace since late 2022, pressuring margins even as volumes expand. On balance, the economy's dual engines of manufacturing and consumption continue to be robust, even if the consumer bears watching.

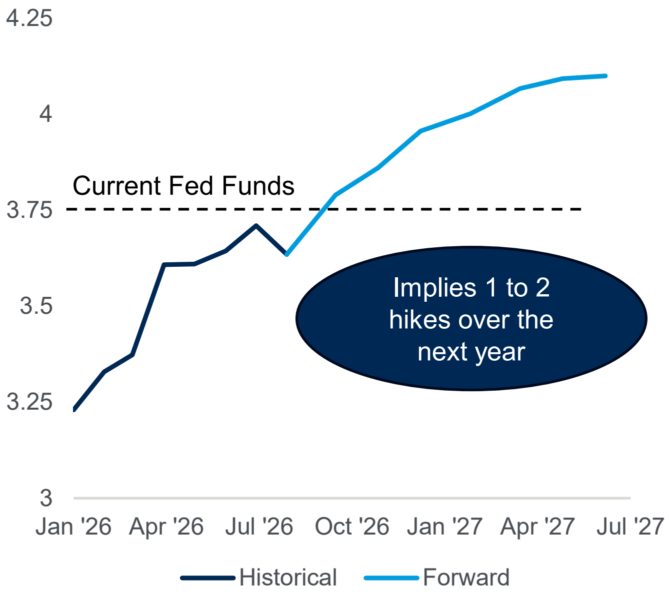
Economic Backdrop: Inflation Persists, Warsh Waits

Core Inflation Holds Steady Amid Energy Spike



Bloomberg as of July 30, 2026

Market Implied Fed Funds



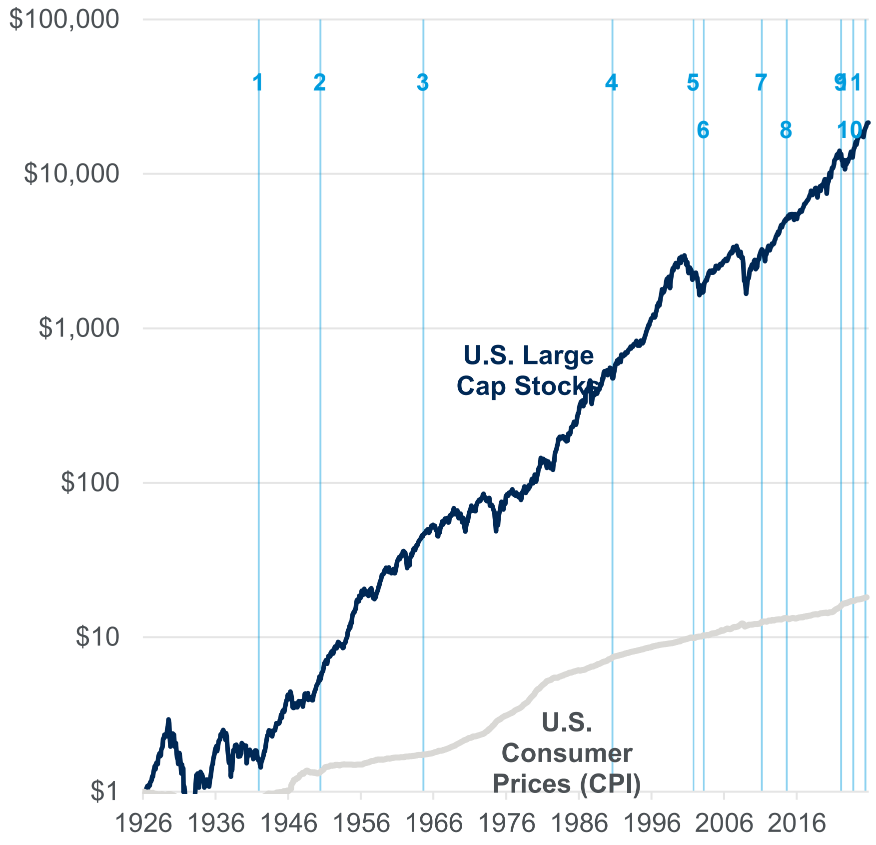
Bloomberg as of July 30, 2026

The inflation story requires separating what is stable from what is moving. Core inflation has been remarkably steady, running between roughly 2.5% and 2.9% all year and easing to about 2.6% in June. Stability, however, is not the same as success: core stopped falling and remains stubbornly above the Fed's 2% target, with decelerating shelter costs doing most of the disinflationary work. The near-term driver is headline inflation. It ran 2.4% in January, accelerated to 4.2% by May and eased to 3.5% in June, and the source is narrow: energy, almost entirely gasoline, accounted for more than 80% of the January-to-May acceleration as the Iran conflict pushed oil higher. Economists rightly look through volatile components, but consumers do not get that luxury. Households pay headline prices, and with the war still unresolved, that squeeze on real purchasing power connects directly to the falling savings rate funding consumption today.

That is the box the Federal Reserve now sits in. Chair Warsh continued to hold the target rate at 3.50% to 3.75% through four pauses this year, and we believe the Fed likely remains on hold, even as markets price in the possibility of hikes. Cutting into an unresolved energy shock, with core still above target, would risk validating the inflation it is trying to contain. Patience, theirs and ours, remains warranted.

Geopolitical Risks: This Too Shall Pass

Growth of $1: U.S. Large Cap Stocks vs. Consumer Prices



Forward CPI Inflation (Annualized)

#	Conflict	Onset	+1Y	+3Y	+5Y
1	World War II	Dec 1941	9.1%	4.7%	6.7%
2	Korean War	Jun 1950	9.3%	4.1%	2.4%
3	Vietnam	Aug 1964	1.6%	2.4%	3.4%
4	Persian Gulf	Aug 1990	4.4%	3.5%	3.2%
5	Afghanistan	Oct 2001	1.5%	2.1%	2.6%
6	Iraq	Mar 2003	1.7%	2.8%	2.9%
7	Libya	Mar 2011	2.9%	2.0%	1.4%
8	Anti-ISIS	Aug 2014	0.2%	0.9%	1.5%
9	Ukraine	Feb 2022	6.4%	4.2%	n/a
10	Israel-Hamas	Oct 2023	2.4%	n/a	n/a
11	Iran Strikes	Feb 2026	n/a	n/a	n/a

Source: Ibbotson SBBI / S&P 500 Total Return; BLS CPI (data through 12/31/2025). Onset dates: Congressional Research Service, R42738. Forward inflation = annualized CPI over the 12/36/60 months from the onset month. n/a = window extends past available data.

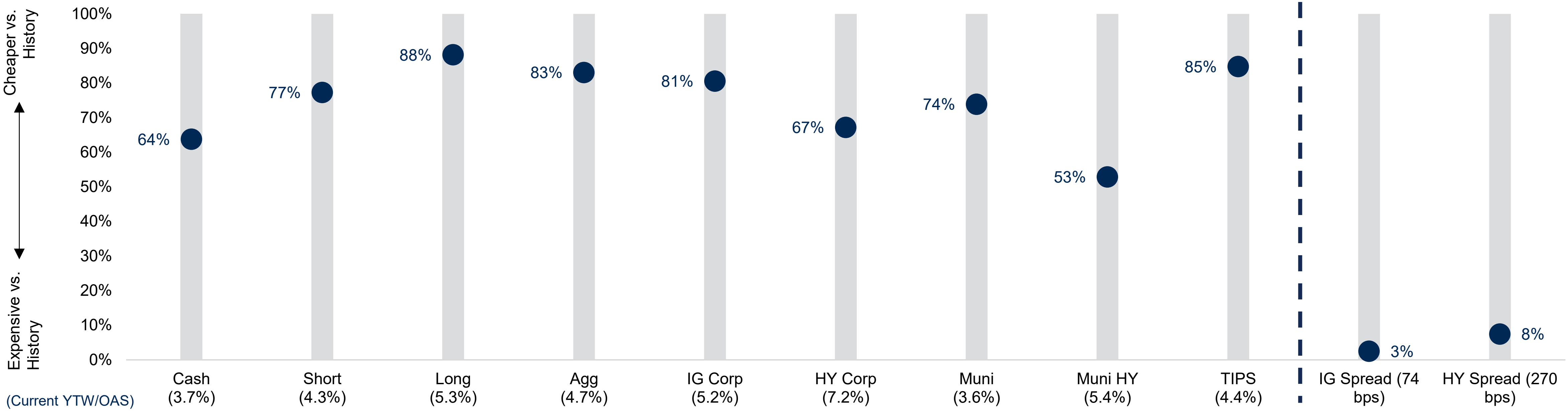
Geopolitical events have a habit of making market forecasters look foolish. Not only are they hard to predict, but their resolution does not neatly tie to data and may outright defy logic. If asked in December whether an oil shock from strikes on Iran would be good or bad for markets, you would be hard pressed to find someone brave enough to say “good.” Yet here we sit, halfway through 2026, and markets are resoundingly in the green. That is because a single variable rarely drives outcomes. Today, it is earnings growth that investors are hanging their hat on (more on that in the charts to come). Looking at global conflict in isolation tells us little about the future, whether for prices or, as this chart shows, for inflation. In six of the last ten conflicts with a full year of data, inflation ran below 3% twelve months after onset. Five years on, only World War II left inflation meaningfully above trend, an event the world hopes to never repeat.

We hold this view with appropriate humility. The current conflict has not abated, and markets continue to price a resolution that has yet to arrive. This is something we'll continue to watch closely for the remainder of the year. However, the discipline for long-term investors is not prediction; it is recognition. Those who recognize that this too shall pass tend to profit from that patience.

Global Asset Classes

Fixed Income: Opportunity Persists, but Don't Overreach

Yield and Spread Percentile Rank (Last 20 Years)



Source: FactSet. As of June 30, 2026.

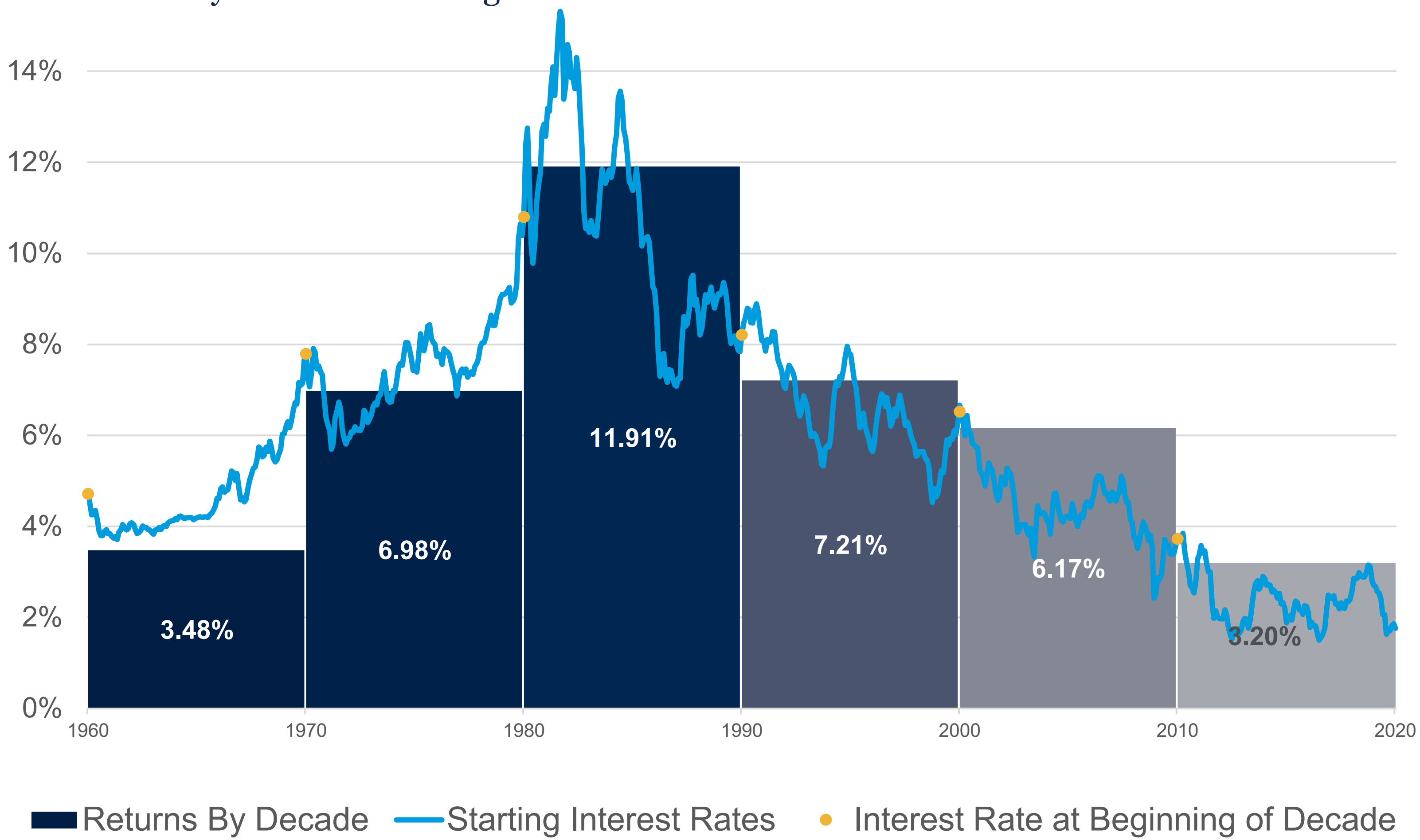
Fixed income remains broadly attractive as all-in yields rank cheap relative to the last 20 years. The reason, however, is that base rates are higher than in recent history. Credit spreads, the amount investors are paid to take credit risk above that of government bonds, are the opposite. They remain near their tightest levels of the last 20 years. The distinction matters more than it may appear. Starting yields are historically an instructive guide to the returns bond investors ultimately earn, a point we build on in the pages ahead. And in a market where most risk assets trade at full valuations, fixed income offers a meaningful reduction in risk for only a modest concession in expected return.

Yet the temptation remains to reach for yield by moving down in quality for incremental return. We would resist it. Our analysis shows high yield spreads sat below their long-term average for 33 consecutive months, more than double the typical 15-month stretch, and history is clear that forward returns in credit are earned at wide spreads, not tight ones. **Portfolio Impact:** Our emphasis remains, as in December, on high-quality investment grade fixed income, with patience and dry powder for the moment credit again compensates investors.

See disclosures for list of indices representing each asset class. Past performance does not indicate future performance and there is a possibility of a loss. Indices cannot be invested in directly.

Fixed Income: Take a Step Back

Total Return by Decade & Starting Yield



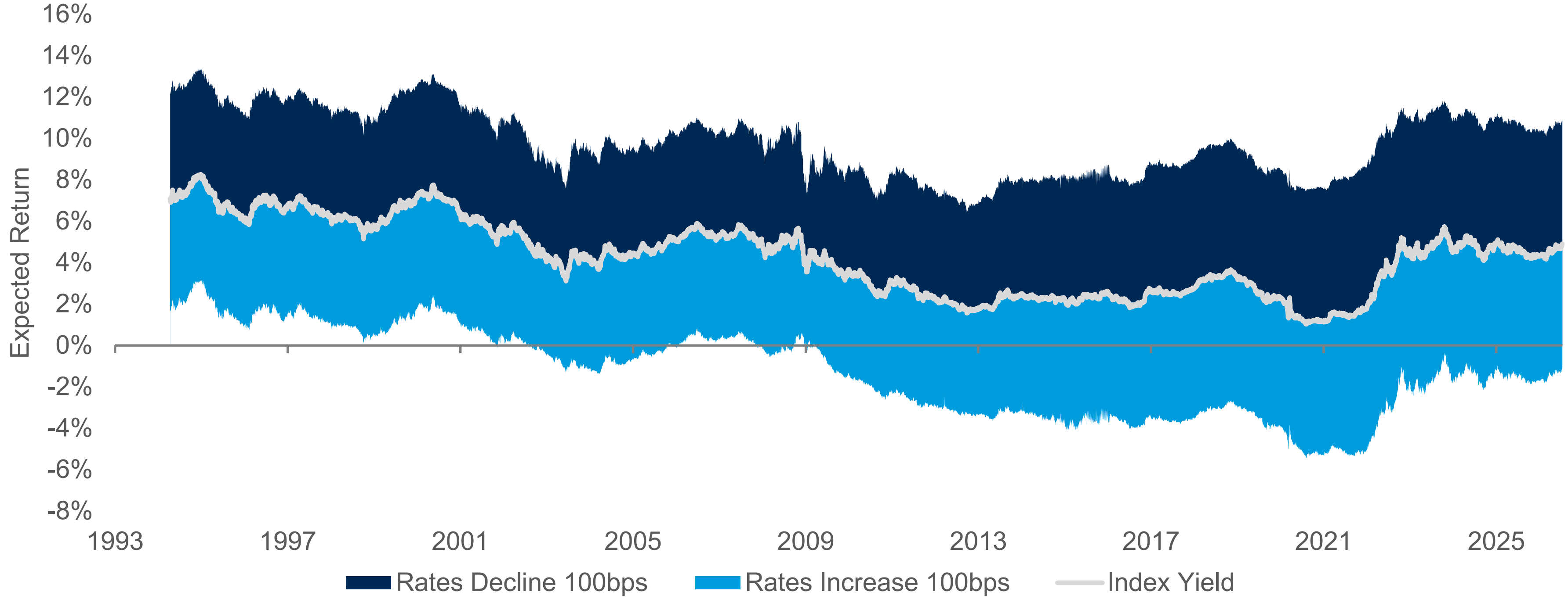
Source: Bloomberg as of June 30, 2026.

Step back far enough and the bond market's last half century resolves into two eras. The first: yields rising to address 1970s inflation, ultimately peaking in the early 1980s. The second: four decades of decline into the experiments of quantitative easing and negative rates. That second era has very likely come to an end.

That may be less concerning than it sounds. Over meaningful horizons, the starting yield, not the path of rates, is the primary driver of the return bond investors ultimately earn. Coupons compound, and speculation between Fed meetings largely washes out. Even the worst-case scenario for bonds is instructive. One would presume the inflation of the 1970s destroyed fixed income returns, yet bonds delivered nearly 7% annualized over the decade. To be fair, inflation eroded the real value of those returns, but the outcome was far from catastrophic. With starting yields today near their two-decade highs, we believe the case for fixed income rests where it should: on the income itself, not on a rate cycle riding to the rescue.

Fixed Income: The Skew Favors Investors

Impact From +/- 1% Change in Rates to the Bloomberg Aggregate



Source: Bloomberg as of June 30, 2026.

~4.7%

Starting yield on the Bloomberg Aggregate

12% vs -2%

Approximate return from a 1% fall versus a 1% rise in rates

Forecasting interest rates is rarely done well, and more rarely done consistently, especially in periods of change like today. So, we evaluate all paths, rather than a single one, in every decision we make. Today, that examination favors investors. As the chart shows, with the Bloomberg Aggregate beginning from a starting yield near 4.7%, a decline of 1% in rates would drive returns into double digits, roughly 12%, as price gains stack on top of income. A rise of 1% in rates would produce only a modest nominal decline of about 2%, as today's income absorbs most of the price hit. The upside scenario is roughly six times the downside.

Portfolio Impact: We acknowledge headline inflation is running faster than most would like, and our base case remains a Fed that holds steady for longer. But the appeal of the skew is that it does not require that forecast to be right. If a stumbling economy forces cuts, duration is rewarded. If sticky inflation forces rates higher, the income cushions the blow. We think the combination is an attractive risk/reward. Whether equities can make a similar case comes down to earnings, where we turn next.

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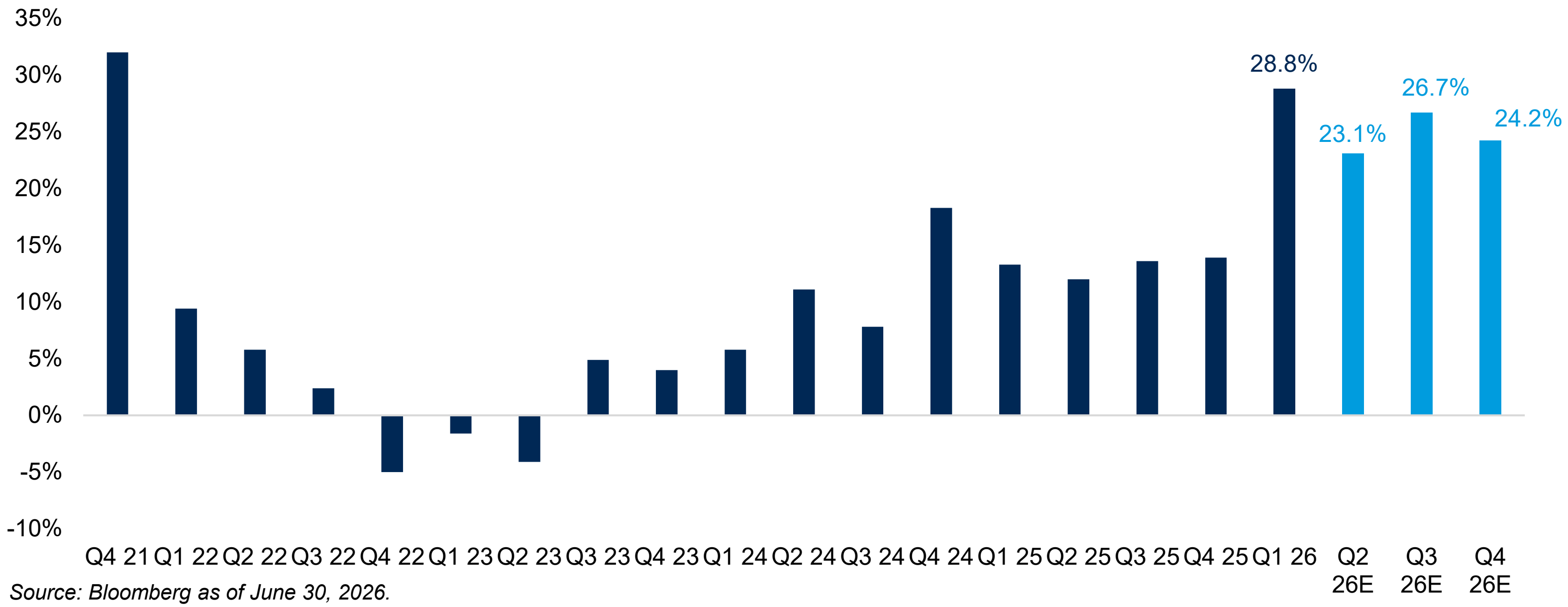
U.S. Equity: Earnings Growth is Doing the Heavy Lifting

S&P 500 Year-over-Year Quarterly Earnings Growth (%)



Source: Bloomberg as of June 30, 2026.

23.1%

Q2 2026 earnings growth expectations. If achieved, it would mark the seventh straight quarter of double-digit growth

Earnings have been the best story in town. First quarter S&P 500 earnings grew 28.8% year-over-year, and consensus expects 23.1% for the second quarter. If delivered, it would mark the seventh consecutive quarter of double-digit growth, tying the third-longest streak since 1990, all against a long-run average of about 7%. Rarer still is the company this run keeps. Back-to-back quarters of 20%-plus growth have nearly always arrived in the wake of severe earnings contractions, when depressed bases flattered the comparison. Posting them mid-cycle, with no downturn to flatter the math, is nearly without precedent in the modern record.

That leaves two readings. Either corporate America is accelerating in a way rarely seen, or expectations have grown too lofty. Margin data captures the tension: estimated next 12-month operating margins reached 21.0%, a record, well above every prior peak in the series, and each of those prior peaks eventually rolled over. AI-driven efficiency may genuinely be resetting profitability higher; history counsels some humility. We do not need to resolve the debate today. What matters is that earnings delivery, not multiple expansion, is doing the heavy lifting, and that is the healthier way to carry a market. Whether price has kept pace with those earnings is the next page's question.

U.S. Equity: Bubble Check

VALUATIONS — HIGH

Traditional valuation measures	P/E and P/B high, but not extreme relative to growth prospects
Whole-market valuation measures	Market cap to GDP and Tobin's Q both at or near peak

FUNDAMENTALS — MODERATE-HIGH

Investment in the new thing	Data-center overcapacity risk; demand picture still unclear
Scale relative to the economy	AI capex approaching 1% of GDP (3.8% total)
Anomalies and dislocations	US share of world market cap; IT share of the S&P 500
Deal-making and financing	Circular financing; off-balance-sheet data-center structures

PSYCHOLOGY — MODERATE

Attitude to risk	Market still visibly engaged with the risks, not dismissive of them
"This time is different"	Lack of mean reversion across multiple markets
Everyday conversation and FOMO	Retail chatter still points elsewhere — bitcoin outranks AI
Corporate re-branding	No widespread ".com"-style name changes
Frauds and scams	Recent cases were not linked to the technology

LIQUIDITY — LOW

Liquidity for the new thing	IPO market ramping from a cold start; strong private-credit demand
Financial conditions and rates	Easy conditions present — the catalyst in both 2000 and 2008

In December we asked the question: is AI a bubble?
At the mid-year mark, we check the evidence.

Valuations are running high. The S&P 500 trades near 21x forward earnings, elevated against its own history, and this is where bubble comparisons are fair. Even so, fundamentals are strong and earnings have delivered, as the prior page showed. AI capital spending, estimated at more than $1 trillion thus far, has been funded largely by operating cash flow, and demand still outpaces supply, a dynamic rarely seen late in a bubble. However, debt funding is becoming far more common, and the "show me" moment, when that capex must justify its scale, has yet to arrive. Psychology shows excitement but not euphoria, and liquidity through debt and equity financing is reasonable.

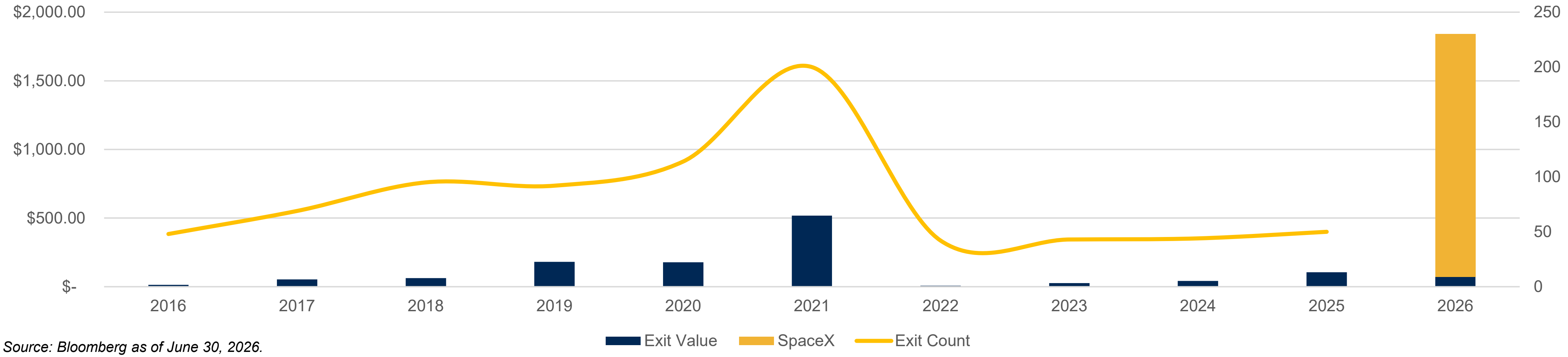
Classic bubbles pair euphoria with borrowed money. Today we observe full prices, strong but unproven fundamentals and only pockets of mania, but not the leverage, at least not yet. Our conclusion is unchanged from December: not a bubble yet, though the jury remains out. We stay invested with measured exposure and disciplined risk sizing, and year to date the AI Playbook is working as intended. Nowhere is that enthusiasm more visible than in the reopened IPO window, the subject of the next page.

See disclosures for list of indices representing each asset class. Past performance does not indicate future performance and there is a possibility of a loss. Indices cannot be invested in directly.

Source: Bloomberg as of June 30, 2026.

Global Equity: Era of Mega IPOs

IPO Activity



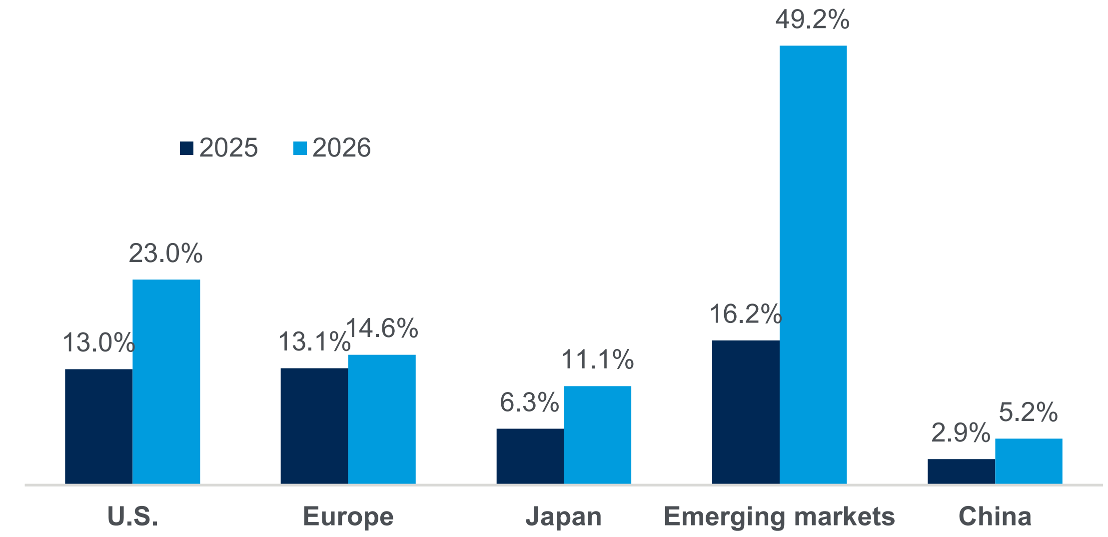
Source: Bloomberg as of June 30, 2026.

June's SpaceX listing was not simply another technology IPO. The offering raised roughly $75 billion, the largest in history, and shares rose nearly 20% on their first day, lifting the company's market value above $2 trillion, the sixth-largest in the U.S. As the chart shows, this single listing generated more exit value than all venture-backed IPOs of the past decade combined. After years of subdued exit activity, the public market window has reopened for the largest private companies, and the pipeline behind SpaceX is deep: OpenAI, Anthropic, Databricks and others are expected to list within the next year. The second-order effect is supply. For much of the past decade, buybacks retired more shares than new issuance created, a quiet technical tailwind for U.S. equities. A wave of mega IPOs, alongside share issuance from hyperscalers funding AI capital spending, could move net issuance toward neutral. The effect also compounds: these companies list with low floats, and freely tradable shares in such deals have historically grown from roughly 7% at IPO to 54% within two years as lockups expire.

As floats increase, more weight falls on fundamentals to carry these companies forward, and history argues for selectivity. Among the ten largest U.S. IPOs since 2000, the median maximum drawdown exceeded 50% in the first year. Enthusiasm for the new era is understandable. Our guidance emphasizes discipline and diversification rather than chasing the IPO calendar.

Global Equity: Not Only an AI Story

Estimated Annual Earnings Growth Across the Globe



Sources: Capital Group, FactSet, MSCI, S&P Global. Estimated annual earnings growth is represented by the mean industry analyst consensus earnings per share estimates for the year ending December 2026 across the S&P 500 Index (U.S.), the MSCI Europe Index (Europe), the MSCI Japan Index (Japan), the MSCI EM Index (Emerging markets) and the MSCI China Index (China). Earnings growth represented in USD. Estimates are as of May 31, 2026.

If 2026's returns were only an AI echo of the past few years, the scoreboard would not look like it does. Halfway through the year, emerging markets lead all major equity markets at 23.9%, U.S. small caps have returned 22.6%, and developed international markets at 9.4% sit within a point of the S&P 500's 10.2%. This is what broadening looks like: markets with less exposure to the AI value chain, or different exposure such as memory or compute, are more than holding their own. That breadth is no accident, and it echoes the AI Flywheel we described in December.

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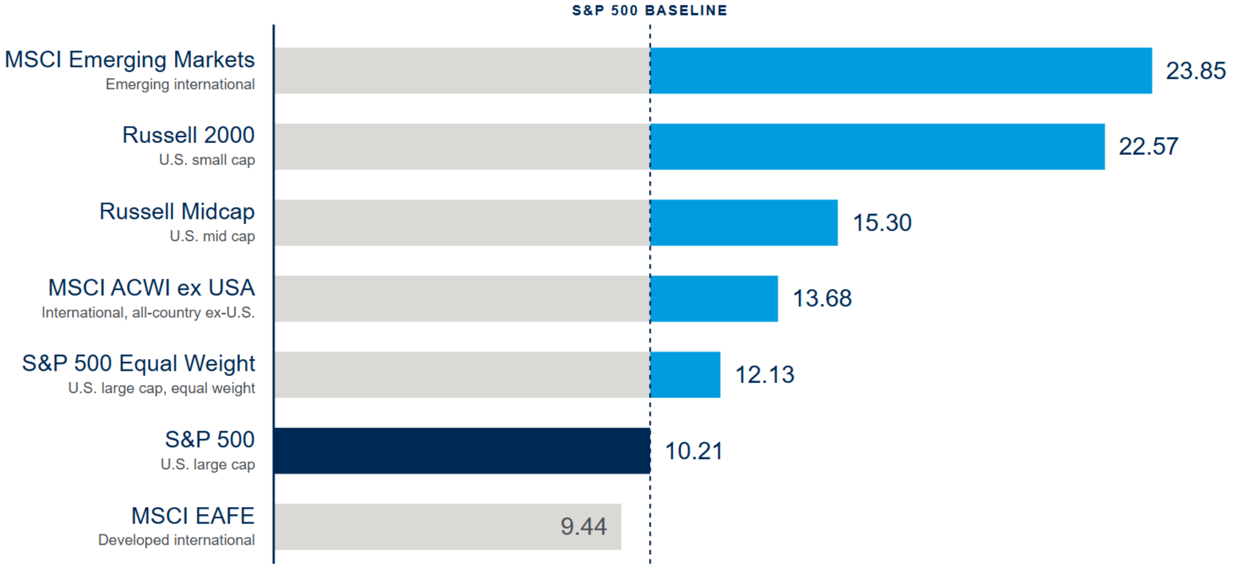
Total Return By Index, %



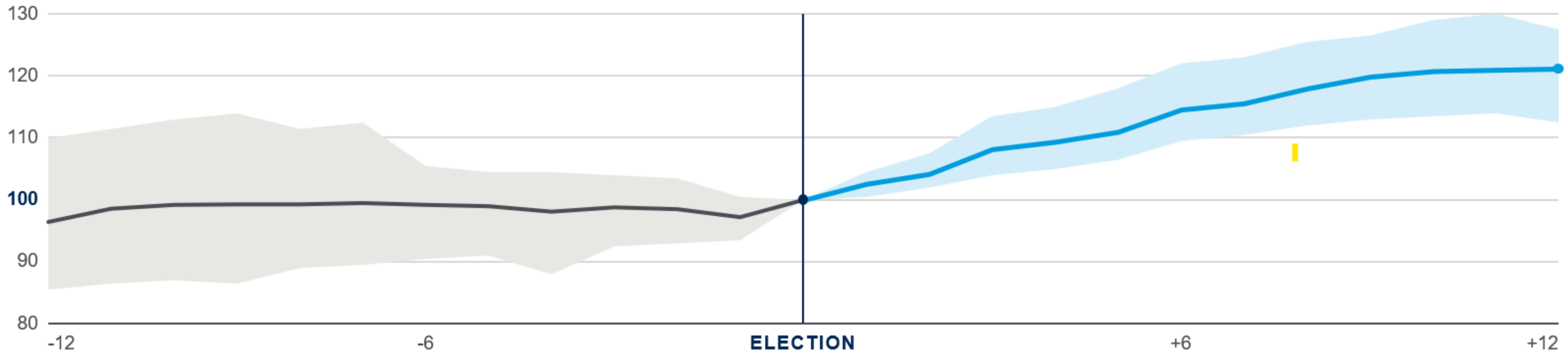
Source: Bloomberg as of June 30, 2026.

If AI's benefits accrue beyond the builders of the technology, to the businesses that adopt it, the compute that runs it or the energy that powers it, then success will continue to reach beyond the "Magnificent 7." Smaller companies and non-U.S. markets can participate in the story while diversifying a U.S.-focused investor's concentration and valuation risks. This may benefit both portfolio return and diversification.

Portfolio Impact: Our allocations to mid- and small-cap stocks and non-U.S. equity were positioned for these effects. Halfway through the year, both are being rewarded, and we are maintaining them. The next test of Noise Resistance sits on the calendar: November's midterms.

U.S. Midterm Elections: Patterns, Not Predictions

Large Cap U.S. Returns in Midterm Election Years



Large-cap U.S. equity, indexed to 100 at each midterm election, 1934–2022 (23 midterms).

THE 12 MONTHS AFTER THE MIDTERM

+21.0%

Average return — positive after all 23 midterms since 1934

Band: middle half of outcomes (Q1–Q3)

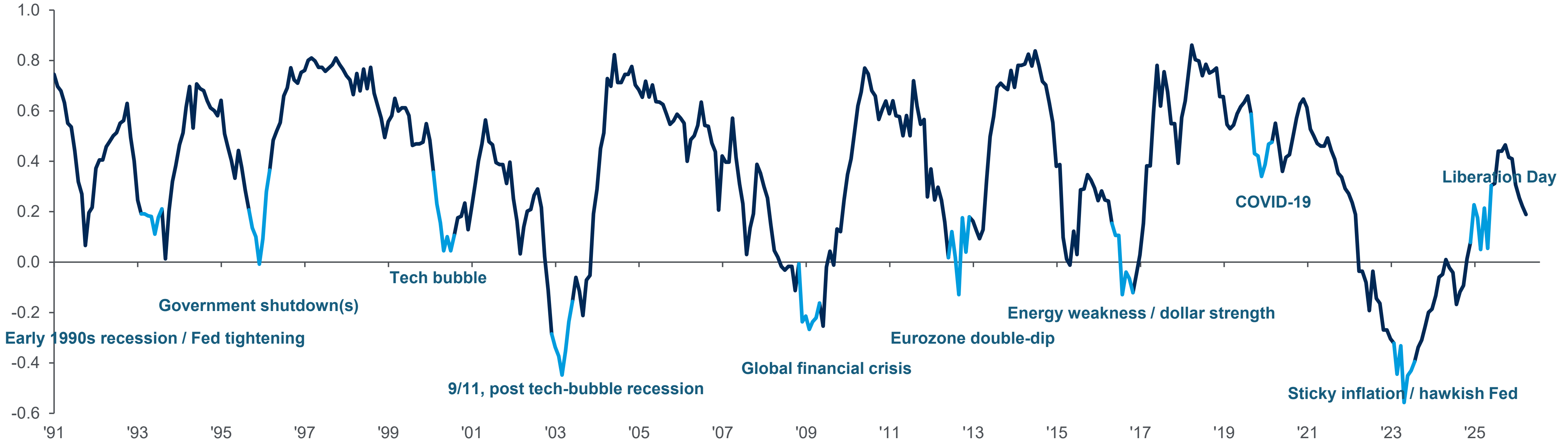
We are a data-driven organization. It helps us keep emotions in check, especially when they can lead us astray. That said, we don't use the farmer's almanac to predict the weather. If that admittedly Midwestern phrase does not resonate, it means patterns are interesting to evaluate, but we shouldn't read too much into them. And yet, the data says: the twelve months following every completed midterm since 1934 have produced a positive U.S. equity return. All 23 of them, averaging 21.0%. Notably, the data undercuts every partisan explanation. Post-midterm returns are statistically indistinguishable by the president's party, 20.5% under Democrats versus 21.6% under Republicans. A chamber changing hands does not help; midterms where the House flipped actually trailed those where it did not, 17.5% versus 22.5%. On the flip side, returns have been quite muted leading into elections. The average January through October return in midterm election years was 3.9%, positive 61% of the time. That compares to 11.9% and 80% positive in years without a midterm or general election.

We could try to overfit the data to say midterm years perform particularly poorly because presidents usually come out of the gate fast after a general election and make the most changes early, so by the midterms momentum slows. We could also subscribe to the clipped-wing theory, in which the sitting president surrenders House seats and "progress" slows. Or perhaps the zodiac offers a rationale. To us this highlights a behavioral tendency and little more. Investors dislike uncertainty. The anticipation of uncertainty leading into an election, and its resolution after, either fogs or clears the air for whatever else is driving markets at the time.

Sources: Fiducient Advisors analysis. Election dates and outcomes from the GPO Official Congressional Directory, U.S. Senate Historical Office and the American Presidency Project (UCSB). Returns are monthly total returns measured relative to Election Day; November of the election year is the first post-election month. Return stream is a spliced long-history proxy: Ibbotson SBBI U.S. Large Cap Total Return, February 1926 through December 1987, and S&P 500 Total Return, January 1988 through December 2025. Non-election years are calendar years in which neither a midterm nor a general election took place. Past performance does not indicate future performance and there is a possibility of a loss. Indices cannot be invested in directly.
See disclosures for list of indices representing each asset class.

Alternatives: Diversifying Hedge Funds

Rolling 12 Month Hedge Fund Correlations to 60/40 Stock/Bond Portfolio



Sources: Bloomberg, FactSet, HFR, Standard & Poor's, J.P. Morgan Asset Management, Guide to Alternatives. Hedge funds represented by HFRI Macro. 60/40 portfolio is 60% S&P 500 / 40% Bloomberg U.S. Aggregate. Data as of April 30, 2026. Past performance is not a reliable indicator of current and future results.

The classic criticism of diversifiers is that they work until the moment they are needed. The chart tells a different story for hedge funds: their correlation to a 60/40 stock-bond portfolio spends much of its life near 0.6 to 0.8, but in nearly every stress episode of the last 35 years, from the tech bubble to the Global Financial Crisis, it collapsed toward zero and frequently below. Coming into 2026 we highlighted the value of hedge funds for both diversification and return potential. The pattern repeated in this cycle: correlations fell through the 2022-23 inflation episode, again around Liberation Day, and sit at modest levels today. That independence matters more in a world where inflation, not recession, becomes the recurring threat. Inflationary shocks are the environment in which stocks and bonds risk weakening at the same time. Our long-term assumption for marketable alternatives stands at 7.0%, similar to our forecast for global equities, and its lower correlation to both stocks and bonds earns its place in that world.

Portfolio Impact: We remain constructive on marketable alternatives: clients without exposure should consider an allocation, and those already invested should review the case for more.

Disclosures

This report is intended for the exclusive use of clients or prospective clients (the “recipient”) of Fiducient Advisors and the information contained herein is confidential and the dissemination or distribution to any other person without the prior approval of Fiducient Advisors is strictly prohibited. Information has been obtained from sources believed to be reliable, though not independently verified. Any forecasts are hypothetical and represent future expectations, not actual results; volatilities and correlations will differ from forecasts. This report does not represent a specific investment recommendation. The opinions and analysis expressed herein are based on Fiducient Advisors research and professional experience and are expressed as of the date of this report. Please consult with your advisor, attorney and accountant, as appropriate, regarding specific advice. Past performance does not indicate future performance and there is risk of loss.

Comparisons to any indices referenced herein are for illustrative purposes only and are not meant to imply that actual returns or volatility will be similar to the indices. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect our fees or expenses.

When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise noted. Each index is unmanaged, and investors can not actually invest directly into an index:

Domestic equity returns based on the following indices: Large Value: Russell 1000 Value TR USD, Large Core: Russell 1000 TR USD, Large Growth: Russell 1000 Growth TR USD, Mid Value: Russell Mid Cap Value TR USD, Mid Core: Russell Mid Cap TR USD, Mid Growth: Russell Mid Cap Growth TR USD, Small Value: Russell 2000 Value TR USD, Small Core: Russell 2000 TR USD, Small Growth: Russell 2000 Growth TR USD

Factor returns based on the following indices: Earnings Yield: MSCI USA Barra Earnings Yield NR USD, Low Leverage: MSCI USA Barra Low Leverage NR USD, Low Volatility: MSCI USA Barra Low Volatility NR USD, Momentum: MSCI USA Barra Momentum NR USD, Value: MSCI USA Barra Value NR USD

S&P 500 sector performance based on the following indices: S&P 500 Sec/Commun Services TR USD, S&P 500 Sec/Financials TR USD, S&P 500 Sec/Energy TR USD, S&P 500 Sec/Industrials TR USD, S&P 500 TR USD, S&P 500 Sec/Health Care TR USD, S&P 500 Sec/Cons Disc TR USD, S&P 500 Sec/Utilities TR USD, S&P 500 Sec/Cons Staples TR USD, S&P 500 Sec/Materials TR USD, S&P 500 Sec/Information Technology TRUSD, S&P 500 Sec/Real Estate TR USD

International Developed equity returns based on the following indices: Large Value: MSCI EAFE Large Value NR USD, Large Core: MSCI EAFE Large NR USD, Large Growth: MSCI EAFE Large Growth NR USD, Mid Value: MSCI EAFE Mid Value NR USD, Mid Core: MSCI EAFE Mid NR USD, Mid Growth: MSCI EAFE Mid Growth NR USD, Small Value: MSCI EAFE Small Value NR USD, Small Core: MSCI EAFE Small Cap NR USD, Small Growth: MSCI EAFE Small Growth NR USD

International equity returns based on the following indices: Large Value: MSCI ACWI ex USA Large Value NR USD, Large Core: MSCI ACWI ex USA Large NR USD, Large Growth: MSCI ACWI ex USA Large Growth NR USD, Mid Value: MSCI ACWI ex USA Mid Value NR USD, Mid Core: MSCI ACWI ex USA Mid NR USD, Mid Growth: MSCI ACWI ex USA Mid Growth NR USD, Small Value: MSCI ACWI ex USA Small Value NR USD, Small Core: MSCI ACWI ex USA Small NR USD, Small Growth: MSCI ACWI ex USA Small Growth NR USD

Emerging Markets equity returns based on the following indices: Large Value: MSCI EM Large Value NR USD, Large Core: MSCI EM Large NR USD, Large Growth: MSCI EM Large Growth NR USD, Mid Value: MSCI EM Mid Value NR USD, Mid Core: MSCI EM Mid NR USD, Mid Growth: MSCI EM Mid Growth NR USD, Small Value: MSCI EM Small Value NR USD, Small Core: MSCI EM Small NR USD, Small Growth: MSCI EM Small Growth NR USD

Equity country returns based on the following indices: Belgium: MSCI Belgium NR USD, Canada: MSCI Canada NR USD, France: MSCI France NR USD, Germany: MSCI Germany NR USD, Italy: MSCI Italy NR USD, Japan: MSCI Japan NR USD, Netherlands: MSCI Netherlands NR USD, Sweden: MSCI Sweden NR USD, Switzerland: MSCI Switzerland NR USD, UK: MSCI United Kingdom NR USD, USA: MSCI USA NR USD, Brazil: MSCI Brazil NR USD, China: MSCI China NR USD, India: MSCI India NR USD, Mexico: MSCI Mexico NR USD, South Korea: MSCI Korea NR USD, ACWI ex US: MSCI ACWI ex USA NR USD, EAFE: MSCI EAFE NR USD, EM: MSCI EM NR USD

Commodity Performance based on the following indices: Energy: Bloomberg Sub Energy TR USD, Industrial Metals: Bloomberg Sub Industrial Metals TR USD, Precious Metals: Bloomberg Sub Precious Metals TR USD, Agriculture: Bloomberg Sub Agriculture TR USD

REIT sector performance is based on the following indices: FTSE Nareit Equity Health Care TR,FTSE Nareit Equity Lodging/Resorts TR, FTSE Nareit Equity Office TR, FTSE Nareit Equity Data Centers TR, FTSE Nareit Equity Diversified TR, FTSE Nareit Equity Specialty TR, FTSE Nareit Equity Retail TR, FTSE Nareit Equity Residential TR, FTSE Nareit Equity Industrial TR, FTSE Nareit Equity Self Storage TR

Disclosures – Index & Benchmark Definitions

Index & Benchmark Definitions

Fixed Income

- **Bloomberg 1-3 Month U.S. Treasury Bill Index** is designed to measure the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months.
- **Bloomberg U.S. Aggregate 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.
- **Bloomberg Global Aggregate ex. USD Indices** represent a broad-based measure of the global investment-grade fixed income markets. The two major components of this index are the Pan-European Aggregate and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds and Canadian government, agency and corporate securities.
- **Bloomberg U.S. Corporate High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.
- **Bloomberg US Government/Credit 1-3 Year Index** is the 1-3 year component of the U.S. Government/Credit Index, which includes securities in the Government and Credit Indices. The Government Index includes treasuries and agencies, while the credit index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.
- **Bloomberg US Government/Credit Long Index** is the Long component of the U.S. Government/Credit Index, which includes securities in the Government and Credit Indices. The Government Index includes treasuries and agencies, while the credit index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity and quality requirements.
- **Bloomberg US Treasury Inflation Protected Securities Index** consists of Inflation-Protection securities issued by the U.S. Treasury.
- **Bloomberg Muni Index** is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. Bonds must be rated investment-grade by at least two ratings agencies.
- **Bloomberg High Yield Municipal Bond Index** covers the universe of fixed rate, non-investment grade debt.
- **Bloomberg Intermediate U.S. Gov't/Credit** is the Intermediate component of the U.S. Government/Credit index, which includes securities in the Government and Credit Indices. The Government Index includes treasuries and agencies, while the credit index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.
- **JPMorgan GBI-EM Global Diversified t**racks the performance of local currency debt issued by emerging market governments, whose debt is accessible by most of the international investor base.
- **ICE BofA US 3M Tbill Index** is an unmanaged index that is comprised of a single U.S. Treasury issue with approximately three months to final maturity, purchased at the beginning of each month and held for one full month.
- **Bloomberg US Treasury Bellwether Indices** are a series of benchmarks tracking the performance and attributes of eight on-the-run US Treasuries that reflect the most recently issued 3m, 6m, 2y, 3y, 5y, 10y and 30y securities.

Equity

- **The S&P 500 Index** is a capitalization-weighted index designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
- **Russell 3000 Index** is a market-cap-weighted index which consists of roughly 3,000 of the largest companies in the U.S. as determined by market capitalization. It represents nearly 98% of the investable U.S. equity market.
- **Russell 1000 Index** consists of the largest 1000 companies in the Russell 3000 Index.
- **Russell 1000 Growth Index** measures the performance of those Russell 1000 companies with higher P/B ratios and higher forecasted growth values.
- **Russell 1000 Value Index** measures the performance of those Russell 1000 companies with lower P/B ratios and lower forecasted growth values.
- **Russell Mid Cap Index** measures the performance of the 800 smallest companies in the Russell 1000 Index.
- **Russell Mid Cap Growth Index** measures the performance of those Russell Mid Cap companies with higher P/B ratios and higher forecasted growth values.
- **Russell Mid Cap Value Index** measures the performance of those Russell Mid Cap companies with lower P/B ratios and lower forecasted growth values.
- **Russell 2000** consists of the 2,000 smallest U.S. companies in the Russell 3000 index.
- **Russell 2000 Growth Index** measures the performance of the Russell 2000 companies with higher P/B ratios and higher forecasted growth values.
- **Russell 2000 Value Index** measures the performance of those Russell 2000 companies with lower P/B ratios and lower forecasted growth values.
- **MSCI USA Barra Earnings Yield Index** is a long/short (130/30) index that targets high exposure to the earnings yield factor, low exposure to other style and industry factors, and low tracking error relative to the MSCI USA Index, its parent index. The earnings yield factor combines current and historical earnings-to-price ratios with a measure of analyst-predicted earnings-to price ratios.
- **MSCI USA Barra Low Leverage Index** The index is derived from the parent index, MSCI Investable Market, and seeks to target exposure to low leverage companies as defined by the Barra Equity Model. The index is rebalanced monthly subject to tracking error and turnover constraints.
- **MSCI USA Barra Low Volatility Index** aims to reflect the performance characteristics of a minimum variance strategy applied to the large and mid cap USA equity universe. The index is calculated by optimizing the MSCI USA Index, its parent index, in USD for the lowest absolute risk (within a given set of constraints). Historically, the index has shown lower beta and volatility characteristics relative to the MSCI USA Index.
- **MSCI USA Barra Momentum Index** is derived from the parent index, MSCI Investable Market, and seeks to target exposure to companies with positive price momentum as defined by the Barra Equity Model. The index is rebalanced monthly subject to tracking error and turnover constraints.
- **MSCI USA Barra Value Index** is derived from the parent index, MSCI Investable Market, and seeks to target exposure to companies with value characteristics as defined by the Barra Equity Model. The index is rebalanced monthly subject to tracking error and turnover constraints.
- **MSCI ACWI (All Country World Index) ex. U.S. Index** captures large and mid-cap representation across Developed Markets countries (excluding the United States) and Emerging Markets countries. The index covers approximately 85% of the global equity opportunity set outside the U.S.
- **MSCI EAFE Index** is an equity index which captures large and mid-cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
- **MSCI Emerging Market**s Index captures large and mid-cap representation across Emerging Markets countries. The index covers approximately 85% of the free-float adjusted market capitalization in each country.

Disclosures – Index & Benchmark Definitions

- **MSCI EAFE Large Value Index** captures large cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the US and Canada. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.
- **MSCI EAFE Large Cap Index** is an equity index which captures large cap representation across Developed Markets countries around the world, excluding the US and Canada. The index covers approximately 70% of the free-float adjusted market capitalization in each country.
- **MSCI EAFE Large Growth Index** captures large cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the US and Canada. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.
- **MSCI EAFE Mid Value Index** captures mid cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the US and Canada. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.
- **MSCI EAFE Mid Cap Index** is an equity index which captures mid cap representation across Developed Markets countries around the world, excluding the US and Canada. The index covers approximately 15% of the free-float adjusted market capitalization in each country.
- **MSCI EAFE Mid Cap Growth Index** captures mid cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the US and Canada. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.
- **MSCI EAFE Small Cap Value Index** captures small cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the US and Canada. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.
- **MSCI EAFE Small Cap Index** is an equity index which captures small cap representation across Developed Markets countries around the world, excluding the US and Canada. The index covers approximately 14% of the free float adjusted market in each country.
- **MSCI EAFE Small Cap Growth Index** captures small cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the US and Canada. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.
- **MSCI ACWI (All Country World Index) ex USA Large Value Index** captures large-cap securities exhibiting overall value style characteristics across Developed Markets countries (excluding the US) and Emerging Markets (EM) countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.
- **MSCI ACWI (All Country World Index) ex USA Large Index** captures large cap representation across Developed Markets countries (excluding the US) and Emerging Markets countries. The index covers approximately 70% of the free float-adjusted market capitalization in each country.
- **MSCI ACWI (All Country World Index) ex USA Large Growth Index** captures large-cap securities exhibiting overall growth style characteristics across Developed Markets countries (excluding the US) and Emerging Markets countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.
- **MSCI ACWI (All Country World Index ex USA Mid Value Index** captures mid cap securities exhibiting overall value style characteristics across Developed Markets countries (excluding the US) and Emerging Markets (EM) countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.
- **MSCI ACWI (All Country World Index) ex USA Mid Cap Index** captures mid cap representation across Developed Markets countries (excluding the US) and Emerging Markets (EM) countries. The index covers approximately 15% of the free float-adjusted market capitalization in each country.
- **MSCI ACWI (All Country World Index) ex USA Mid Growth Index** captures mid-cap securities exhibiting overall growth style characteristics across Developed Markets countries (excluding the US) and Emerging Markets countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.
- **MSCI ACWI (All Country World Index) ex USA Small Value Index** captures small cap securities exhibiting overall value style characteristics across Developed Markets countries (excluding the US) and Emerging Markets (EM) countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.
- **MSCI ACWI (All Country World Index) ex. U.S. Small Cap Index** captures small cap representation across Developed Markets countries (excluding the US) and Emerging Markets countries. The index covers approximately 14% of the global equity opportunity set outside the U.S.
- **MSCI ACWI (All Country World Index) ex U.S. Small Growth Index** captures mid-cap securities exhibiting overall growth style characteristics across Developed Markets countries (excluding the US) and Emerging Markets countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.
- **MSCI Emerging Markets (EM) Large Value Index** captures large-cap securities exhibiting overall value style characteristics across Emerging Markets (EM) countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.
- **MSCI Emerging Markets (EM) Large Index** includes large-cap representation across Emerging Markets countries. The index covers approximately 70% of the free float-adjusted market capitalization in each country.
- **MSCI Emerging Markets (EM) Large Growth Index** captures large-cap securities exhibiting overall growth style characteristics across Emerging Markets (EM) countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.
- **MSCI Emerging Markets (EM) Mid Value Index** captures mid cap securities exhibiting overall value style characteristics across Emerging Markets (EM) countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.
- **MSCI Emerging Markets (EM) Mid Index** includes mid-cap representation across Emerging Markets countries. The index covers approximately 15% of the free float-adjusted market capitalization in each country.

Disclosures – Index & Benchmark Definitions

- **MSCI Emerging Markets (EM) Mid Growth Index** captures mid cap securities exhibiting overall growth style characteristics across Emerging Markets (EM) countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.
- **MSCI Emerging Markets (EM) Small Value Index** captures small cap securities exhibiting overall value style characteristics across Emerging Markets (EM) countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.
- **MSCI Emerging Markets (EM) Small Cap Index** includes small cap representation across Emerging Markets countries. The index covers approximately 14% of the free float-adjusted market capitalization in each country. The small cap segment tends to capture more local economic and sector characteristics relative to larger Emerging Markets capitalization segments. **MSCI Emerging Markets (EM) Small Growth Index** captures small cap securities exhibiting overall growth style characteristics across Emerging Markets (EM) countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

Alternatives & Miscellaneous

- **S&P Real Asset Index** is designed to measure global property, infrastructure, commodities, and inflation-linked bonds using liquid and investable component indices that track public equities, fixed income, and futures. In the index, equity holds 50% weight, commodities 10%, and fixed income 40%.
- **FTSE Nareit Equity REITs Index** contains all Equity REITs not designed as Timber REITs or Infrastructure REITs.
- **FTSE EPRA Nareit Developed Index** is designed to track the performance of listed real estate companies and REITS worldwide.
- **FTSE EPRA Nareit Developed ex US Index** is a subset of the FTSE EPRA Nareit Developed Index and is designed to track the performance of listed real estate companies and REITS in developed markets excluding the US.
- **Bloomberg Commodity Index** is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification.
- **HFRI Fund Weighted Composite Index** is a global, equal-weighted index of over 2,000 single-manager funds that report to the HFR Database. Constituent funds report monthly net of all fees performance in U.S. Dollars and have a minimum of $50 million under management or a twelve (12) month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds.
- **HFRI Fund of Funds Composite Index** is a global, equal-weighted index of all fund of hedge funds that report to the HFR Database. Constituent funds report monthly net of all fees performance in U.S. Dollars and have a minimum of $50 million under management or a twelve (12) month track record of active performance.
- **The Alerian MLP Index** is a float adjusted, capitalization-weighted index, whose constituents represent approximately 85% of total float-adjusted market capitalization, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis.

Additional Information

- Equity sector returns are calculated by S&P, Russell, and MSCI for domestic and international markets, respectively. S&P and MSCI sector definitions correspond to the GICS® classification (Global Industry Classification System); Russell uses its own sector and industry classifications.
- MSCI country indices are free float-adjusted market capitalization indices that are designed to measure equity market performance of approximately 85% of the market capitalization in each specific country.
- Currency returns are calculated using FactSet’s historical spot rates and are calculated using the U.S. dollar as the base currency.

Disclosures – Material Risks & Limitations

Fixed Income securities are subject to interest rate risks, the risk of default and liquidity risk. U.S. investors exposed to non-U.S. fixed income may also be subject to currency risk and fluctuations.

Cash may be subject to the loss of principal and over longer period of time may lose purchasing power due to inflation.

Domestic Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry factors, or other macro events. These may happen quickly and unpredictably.

International Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry impacts, or other macro events. These may happen quickly and unpredictably. International equity allocations may also be impact by currency and/or country specific risks which may result in lower liquidity in some markets.

Real Assets can be volatile and may include asset segments that may have greater volatility than investment in traditional equity securities. Such volatility could be influenced by a myriad of factors including, but not limited to overall market volatility, changes in interest rates, political and regulatory developments, or other exogenous events like weather or natural disaster.

Private Equity involves higher risk and is suitable only for sophisticated investors. Along with traditional equity market risks, private equity investments are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility and/or the potential loss of capital.

Private Credit involves higher risk and is suitable only for sophisticated investors. These assets are subject to interest rate risks, the risk of default and limited liquidity. U.S. investors exposed to non-U.S. private credit may also be subject to currency risk and fluctuations.

Private Real Estate involves higher risk and is suitable only for sophisticated investors. Real estate assets can be volatile and may include unique risks to the asset class like leverage and/or industry, sector or geographical concentration. Declines in real estate value may take place for a number of reasons including, but are not limited to economic conditions, change in condition of the underlying property or defaults by the borrow.

Marketable Alternatives involves higher risk and is suitable only for sophisticated investors. Along with traditional market risks, marketable alternatives are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility or the potential for loss of capital. Additionally, short selling involved certain risks including, but not limited to additional costs, and the potential for unlimited loss on certain short sale positions.