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Investment Insights Quarterly

From the Desk of Bill Hornbarger, Chief Investment Officer

January 2025

Three Themes for 2025

Like many market watchers, we sit down at the beginning of each year and think about the economic backdrop and the markets and how we want to position based on that outlook. However, instead of trying to pinpoint the exact level at which the popular indices will close, or where the 10-year Treasury will be trading at 3 p.m. CT on December 31, we identify what we think will be the major themes of the year and how they might impact the markets. Like many recent years, we head into 2025 with many questions and a partially clouded outlook, exacerbated by the fact that we will have a new administration after the GOP swept the recent national election.

The financial markets had a much better 2024 than most people had expected. The U.S. Federal Reserve (Fed) cut rates (but less than forecasted early in the year), inflation declined and economic conditions remained generally favorable as the Fed successfully engineered conditions consistent with a soft landing. However, it is too early for the Fed to declare victory with unemployment increasing at a rate associated with past recessions and inflation remaining stubbornly above the Fed's target—and seemingly on the rise again. In this environment, the S&P 500 generated outsized returns on a combination of multiple expansion, earnings growth and large, concentrated contributions from the "Magnificent 7." The United States outperformed international stocks, large cap outperformed small cap, and growth stocks outperformed value stocks.

Trading at the end of last year and beginning of 2025 has been volatile and mostly weaker for the markets. Treasury yields have been rising despite Fed rate cuts, and the equity markets are lower with the Nasdaq and rate-sensitive sectors underperforming the S&P 500. As we head deeper into the new year, we are watching three major themes closely.

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Bond Yields

In a well-telegraphed move, the Fed began lowering rates in the latter part of 2024, and the markets began the year expecting additional rate cuts in 2025. Despite easier Fed policy, longer-term market yields have been steadily marching higher. In the 1980s, investment strategist Ed Yardeni coined the phrase "bond vigilantes" to describe investors who sold bonds to protest monetary and/or fiscal policy that they thought was too inflationary. During the Clinton administration, bond vigilantes pushed the 10-year yield from 5.2% to over 8% in a 12-month period over concerns on federal spending, demonstrating the power of bond traders.

It appears that the bond vigilantes are back, and we think both Fed policy and bond yields will be one of the bigger stories in the financial markets this year. The benchmark 10-year Treasury yield has risen more than 1% since September, despite the Fed lowering rates three times (100 basis points [bps]) in that span. Yields are rising on a combination of stickier inflation (resulting in changing Fed expectations) and growing deficit concerns. It is also worth noting that yields in most other developed markets are increasing, providing further pressure on U.S. rates. Fed expectations have been revised as inflation has lingered longer and higher than previously forecast. Futures are currently pricing in two additional quarter-point cuts in 2025, which is seemingly consistent with a data-dependent Fed.

We look for the 10-year note to trade in a broad range between 4.25% and 5% in 2025. As previously mentioned, the inflation outlook, the potential for tariffs (which could push inflation higher) and concerns over the deficit will keep pressure on rates. Balanced against this is the possibility of progress on the deficit by the proposed Department of Government Efficiency (DOGE), the potential end to quantitative tightening and any signs of weakness from the labor market.

Earnings

Stable yields at higher levels (than we have seen the last decade-plus) coupled with above-average valuations argue against further broad multiple expansion for stocks. Instead, we think 2025 will be a year where equities focus on earnings and earnings growth. Earnings drive long-term gains in equities, and the economy has continued to surprise to the upside and companies are eager to hire.

The bar for earnings growth is set high, with analysts forecasting 8% year-over-year growth in the fourth quarter for the S&P 500 (reported starting mid-January). Furthermore, earnings growth is expected to accelerate in 2025. We have seen forecasts for full-year earnings growth as high as 14%, with a consensus closer to 10%, and we have seen consensus positive earnings growth for all 11 sectors. Investors will be looking for evidence of this during the earnings season, with future guidance playing a critical role. If companies can demonstrate that 2025 will be as strong as analysts are forecasting, the recent market pullback can be seen as a healthy reset as uncertainty clears up. Strong 2025 earnings growth would also reduce the risk of seeing a valuation crunch in 2025 and could serve as the catalyst needed for the market to reach new highs. However, at the current lofty valuations and competition from attractive yields in the fixed-income market, the margin for error is low. Earnings growth is likely to stay at or above average based on margins and the resilience of the economy, but the risks are to the downside in our opinion.

Uncertainty

The future is always an unknown, but we feel uncertainty on a variety of fronts is higher than usual as we enter the new year. From a geopolitical perspective there is war in the Ukraine, conflict in the Middle East, and China continuously looking to expand in the South

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China Sea. This comes at a time when a new administration is taking office and an administration that has indicated repeatedly that it is more isolationist in its views and policies.

Other significant policy changes that are under consideration include tariffs, immigration, extension of the tax cuts and a general reduction on the regulatory front. These have the potential for varying degrees of impact with tariffs and anti-immigration policies generally thought of as negative for the economy, while deregulation and tax cuts are potentially positive. Hanging over all of this is the newly created DOGE, with a goal of finding $2 trillion per year in savings and updating personnel and technology needs for the federal government. The Bloomberg consensus forecast is for the economy to slow in 2025 with economists placing a 20% chance of a recession (down significantly from a year ago). The economy has continued to surprise on the upside, and with the potential for more deregulation and the increase in small business optimism since the election, we would not be surprised if growth is stronger than forecast, boding well for earnings.

And finally, monetary policy has the possibility to surprise. Futures have gone from pricing in four to five interest-rate cuts this year to currently pricing only two, and we would suggest that while it is not probable, there is the possibility of no rate cuts or even a small increase if inflation trends higher or stabilizes above the Fed's 2% target rate.

Summary

In general, we believe that conditions remain positive for financial assets. The bond market has corrected and now offers positive, real yields and compelling nominal yields versus the past 15 years and provides the traditional portfolio roles of liquidity, equity market risk mitigation and current income. Parts of the equity markets remain expensive (the Magnificent 7 and U.S. large cap growth, generally) but positive earnings growth, stabilized bond yields and positive economic growth argue for positive returns in 2025. We do not expect the S&P 500 to repeat the 20%+ returns of the past two years but look for returns (inclusive of dividends) in line with earnings growth. We also expect the broadening of the market that started in 2024 to continue and remain positive on small-cap stocks based on a combination of a friendlier regulatory environment, better valuations and stable bond yields.

Summary

	Positives	Considerations
Economy	• Earnings outlook is positive • Unemployment remains low	• Inflation is sticky above 2% target • Tariffs are an uncertainty in implementation and impact • Manufacturing currently in recession but improving
Fixed Income	• Fed in an easing cycle • Rates have risen significantly already • Real yields are positive • Creation of DOGE	• Deficits expanding • Narrow credit spreads • Bond vigilantes
Equities	• Economy remains on positive footing • Profit margins healthy • Small cap, value and international valuations are attractive	• Tech valuations are extended • Earnings could disappoint • Bond yields

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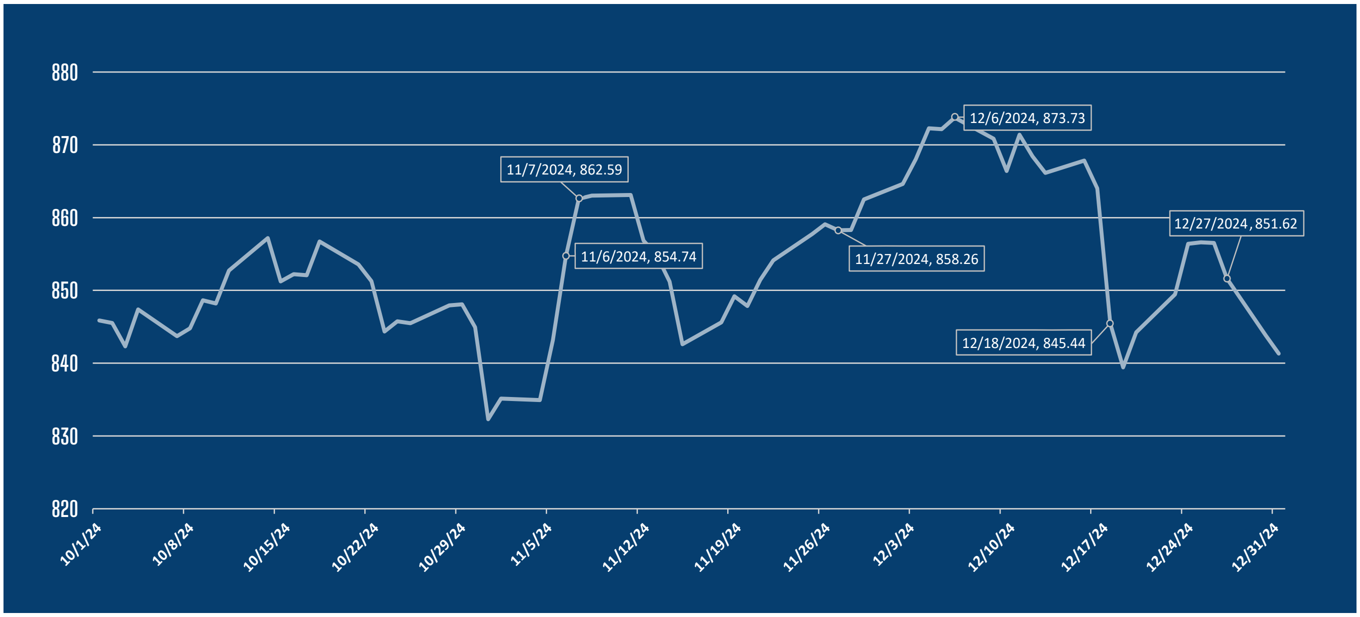
Q4 Key Dates

- November 6 – Republicans had a clean sweep in the general election, winning the Senate, House and the White House.
- November 7 – U.S. Federal Reserve cut rates 25 bps.
- November 27 – The third-quarter GDP estimate came in at a healthy 2.8% clip, trending slightly downward relative to 3.0% in the second quarter of 2024.
- December 6 – The S&P 500 closed at the highest level of 2024 and an all-time high.
- December 18 – Fed cut rates 25 bps and signaled rates might not fall as far and as fast as previously thought.
- December 27 – The 10-year note rose to 4.63% despite the Fed having cut rates twice in Q4.

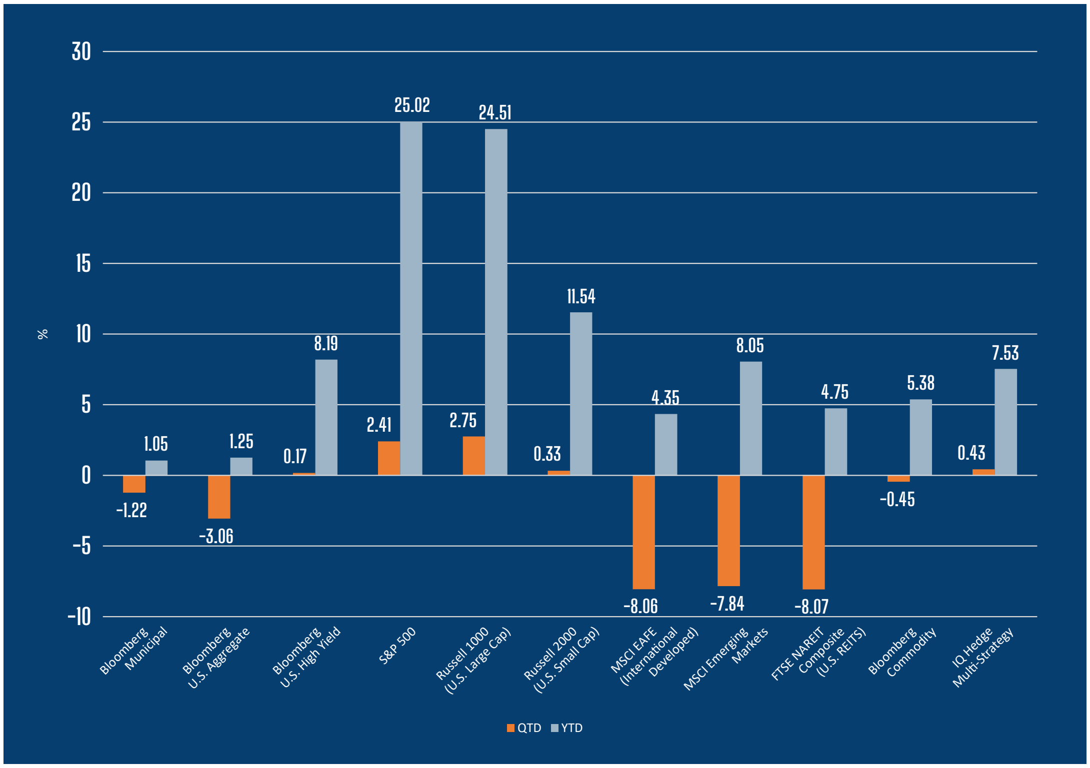
Global Stock Market
MSCI ACWI in USD



As of December 31, 2024
Source: Bloomberg

Asset-Class Returns

Comparing Recent Quarter and Year-to-Date Total Returns



As of December 31, 2024
Source: Conway

Fixed Income

- Yields continued their march higher in December, resulting in losses for core fixed income and municipal bonds.
- Credit was mixed as tight spreads were somewhat offset by the backup in rates. It continues to be an environment of clipping coupons across credit.
- Bonds outside the United States were hit again by higher yields and the stronger dollar.

Equities

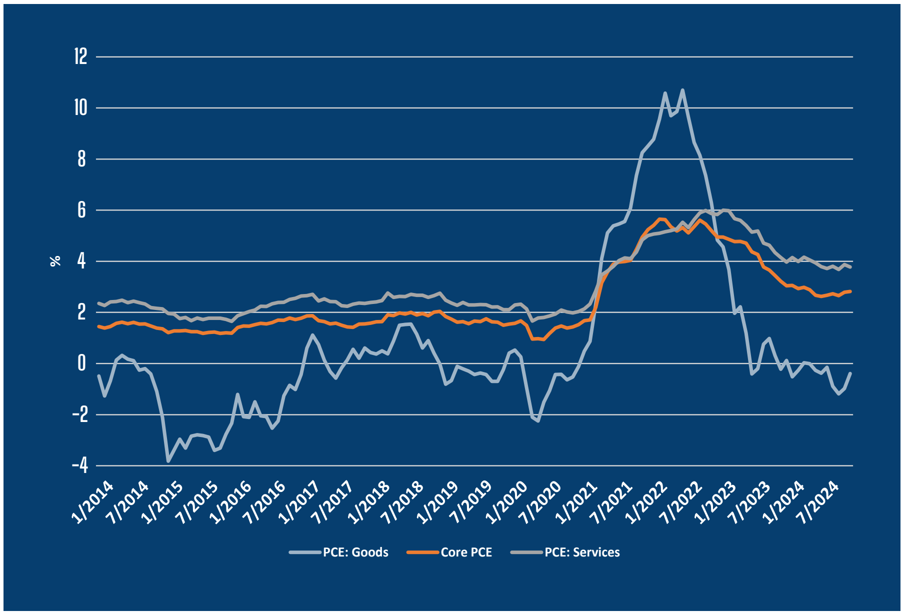
- U.S. equities fell to end the year after starting December on a high note. Growth stocks managed to buck the trend and the United States generally outperformed non-U.S. equities.
- Growth beat value in December and large caps trounced small caps.
- Higher rates pressured small cap companies and after surging following the election, they fell to end 2024.
- Developed markets outside the United States exhibited broad weakness in December, largely due to the stronger U.S. dollar.
- Japan outperformed Europe and, similar to the United States, large caps beat small caps. Value did manage to outperform growth across Europe, Australasia and Far East (EAFE) markets.
- U.S. dollar strength cost investors 268 bps in EAFE markets and 132 bps in emerging markets.

Real Assets

- Real estate had a difficult quarter on rising yields.
- Commodities were little changed for the quarter, with gold hitting another record high.

Inflation

Core Personal Consumption Expenditures vs. PCE Goods and PCE Services



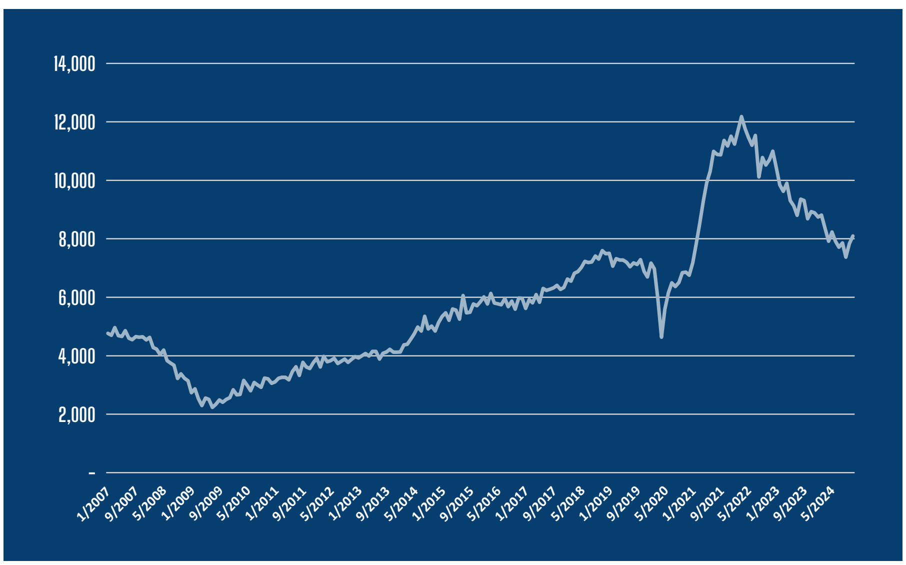
As of December 31, 2024
Source: Haver

- The Fed uses core personal consumption expenditures (PCE) as favored inflation measure and targets 2% over a cycle.
- PCE tends to be lower than the Consumer Price Index due the substitution component.
- Inflation ticked higher at the end of the fourth quarter and remans above target.
- Goods inflation is negative while service inflation remains well above 3.5%.
- Services are roughly two-thirds of the price indices.

Employment

JOLTS: Total Job Openings

EOP, SA, Thousands



As of December 31, 2024
Source: Haver

- While the unemployment rate remains relatively low to history (last at 4.0%), the labor market is softening.
- The unemployment rate is up from 3.4% to 4.0% (last reading), while the number of job openings has collapsed, declining by over 4.4 million per the latest data.

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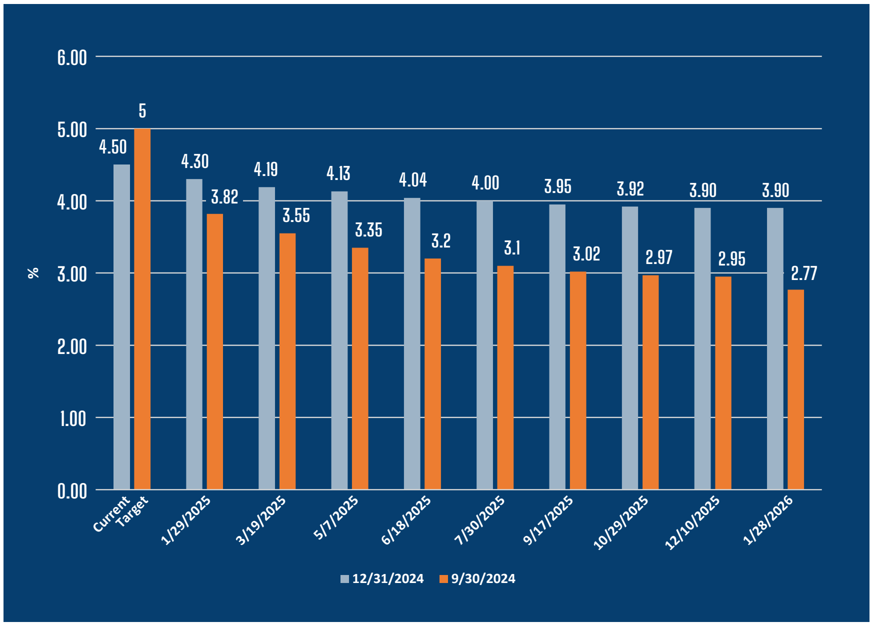
Monetary Policy

Fed Funds Futures Implied Policy Rates
9/30/2024 vs. 12/31/2024

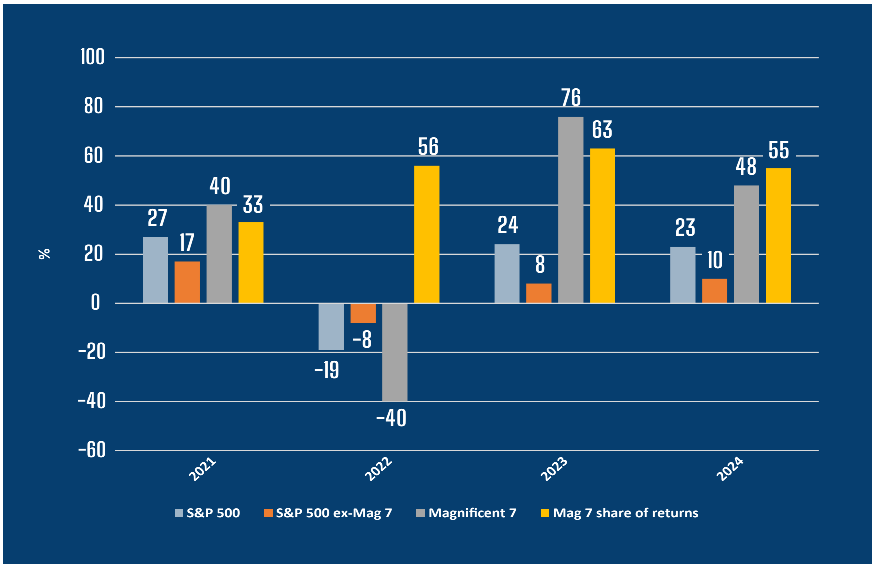


As of December 31, 2024
Source: Bloomberg

- The Fed cut rates twice in the fourth quarter, both times by 25 bps.
- Market expectations for monetary policy changed noticeably during the quarter, with the Fed now forecast to cut rates only two to three times in 2025.
- In December, Fed Chairman Powell was quoted as follows: “We can therefore be more cautious as we consider further adjustments to our policy rate.”

Market Breadth

Performance of the Magnificent 7 vs. the S&P 500
Indexed to 100 on 1/1/2012, price return



As of December 31, 2024
Source: J.P. Morgan

- The Magnificent 7 (Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia, Tesla) continued to drive the performance of the broader S&P 500.
- The performance of those seven stocks comprised 55% of the index’s return in 2024 and were up more than twice the overall S&P 500.
- Profit margins and earnings growth also outpaced the broader index by significant margins, and the stocks traded at a healthy premium to the broader market (based on price/ earnings ratios).

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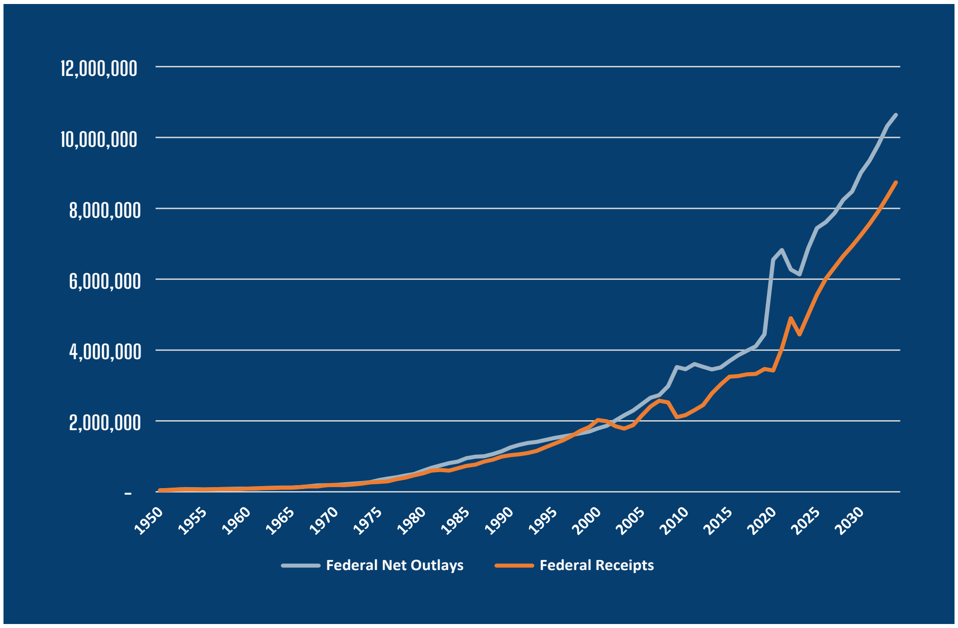
MARKET THEMES

Deficits

OMB Federal Budget Projections
Receipts vs. Outlays
Millions of dollars, Fiscal Years
2024-2036 Projected

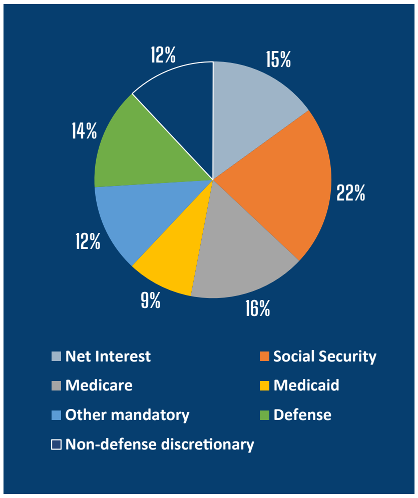


As of December 31, 2024
Source: Bespoke

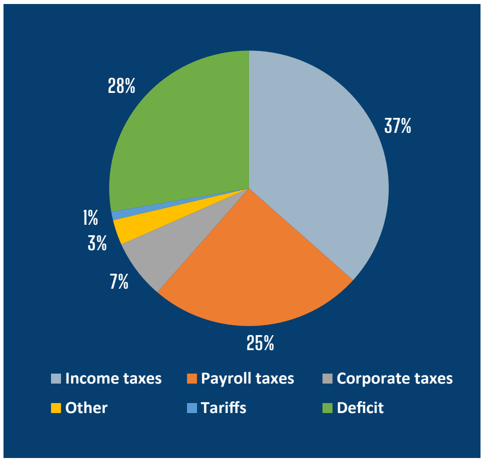
- Despite the Fed cutting rates, Treasury yields have increased.
- “Bond vigilantes” are concerned by the prospects of increasing deficits in the coming years.
- Deficits as a percentage of GDP are expected to be between -4.5% and -6.5% for the next decade.

Deficits – 2025 Federal Budget

Total Spending: $7 trillion



Sources of Financing
Projected Deficit: $1,938bn



As of December 31, 2024
Source: BFE, J.P. Morgan

- The government safety net is the single largest outlay in the budget.
- Net interest expense is forecast to be greater than defense spending in fiscal year 2025.
- The 2025 deficit is expected to approach $2 trillion.

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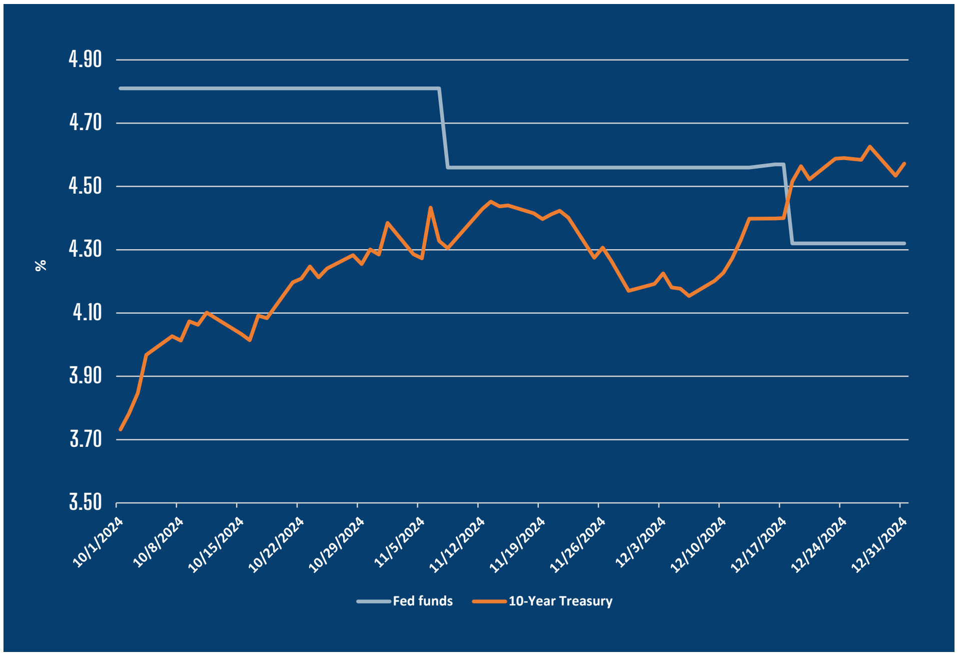
Bond Yields

Fed Funds vs. 10-Year Treasury Yield
Q4 2024



As of December 31, 2024
Source: Bloomberg

- Despite the Fed lowering rates twice, long-term yields increased during the quarter.
- The 10-year note closed the year at 4.58%, near April's 4.70% peak for 2024.
- Deficit and inflation concerns continue to drive the long part of the yield curve.

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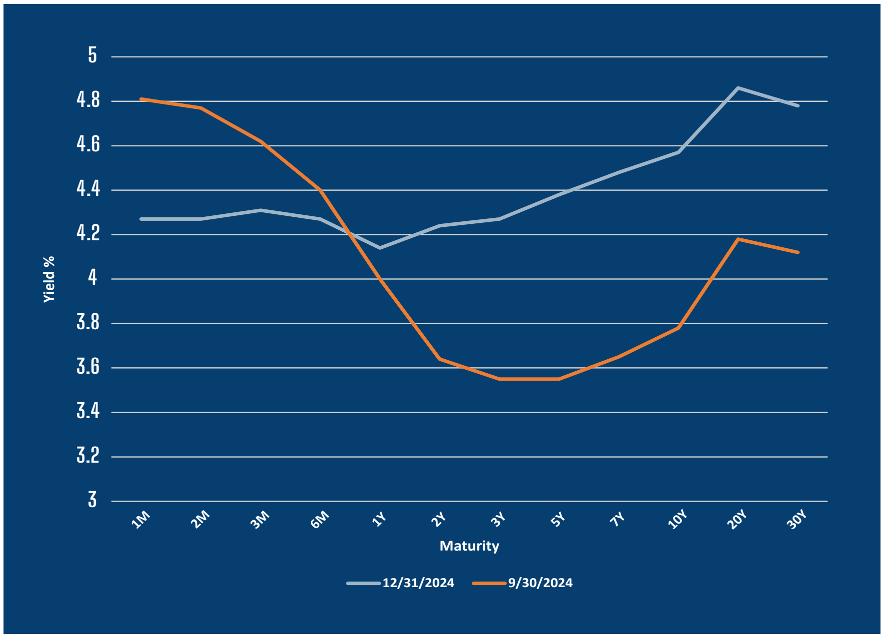
U.S. Treasury Curve

The yield curve twisted in the fourth quarter, with short rates falling on two Fed rate cuts and longer-term bond yields increasing on inflation and deficit fears. The result is a more “normal” shape to the yield curve.

U.S. Treasury Yield Curve



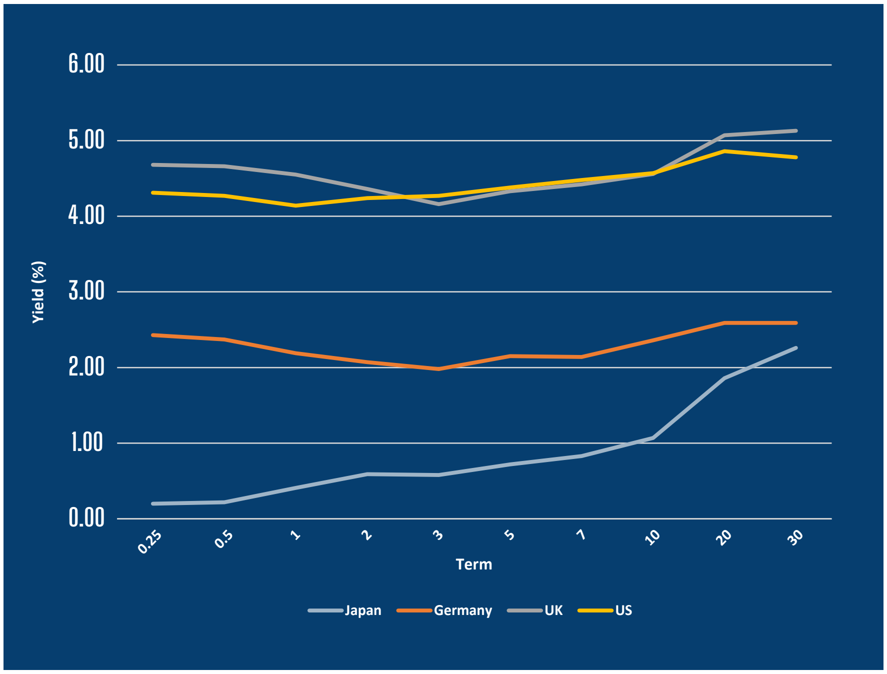
As of December 31, 2024
Source: Bloomberg

Government Bond Curves

Global bond yields generally increased in the fourth quarter as bond investors worried about lingering inflation.

Global Government Bond Yield Curves

End of Q4 2024



As of December 31, 2024
Source: Bloomberg

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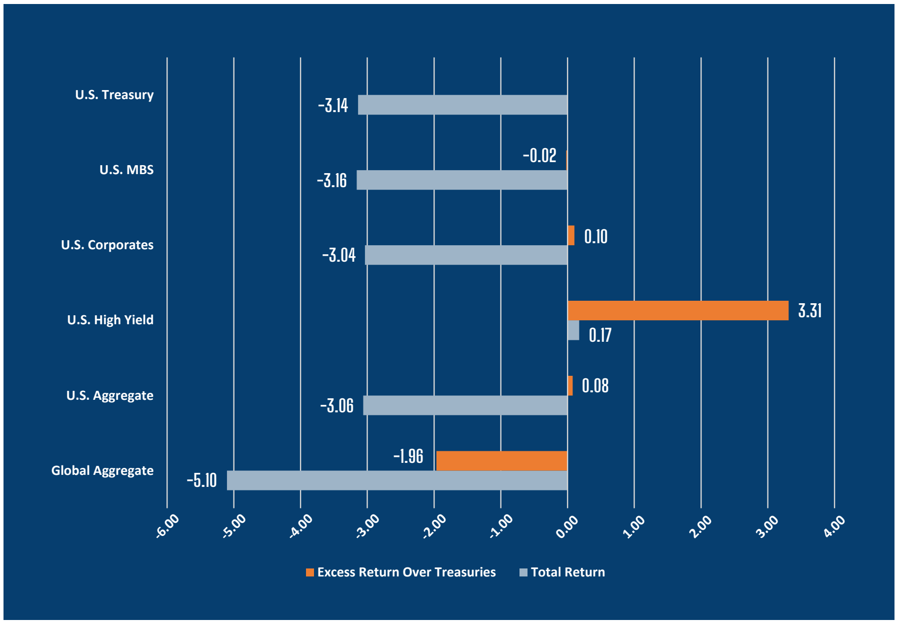
Fixed Income Performance (Q4)

Rising benchmark Treasury yields provided a strong headwind for U.S. fixed-income sectors. High-yield bonds were able to eke out small gains due to the relatively higher starting yields.

Fixed Income Performance
Q4 2024

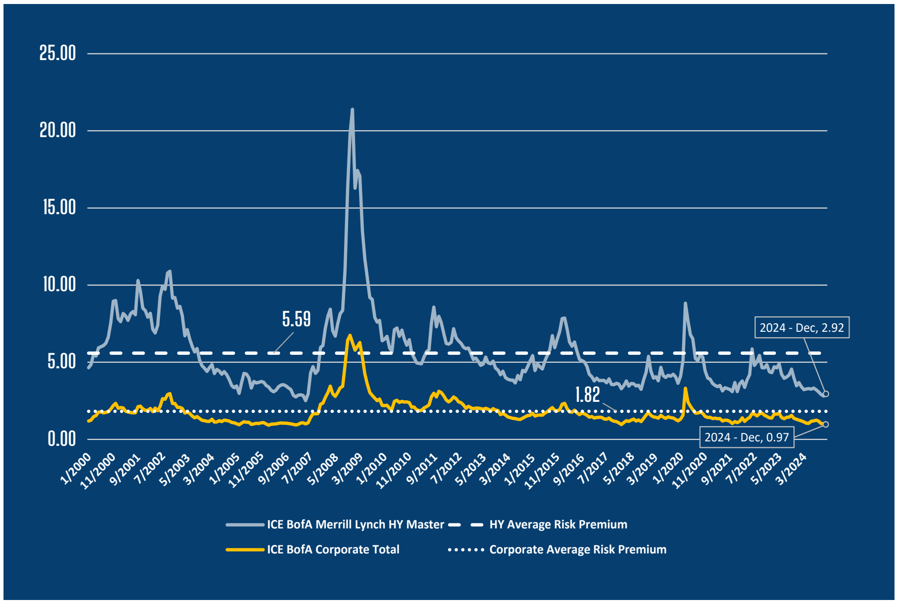


As of December 31, 2024
Source: Bloomberg

Credit

Credit spreads continue to narrow on higher benchmark yields and investor demand for yield.

Investment Grade and High Yield Credit Spreads



As of December 31, 2024
Source: Haver

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Municipal Bonds

Municipal bonds continue to offer a yield advantage for high tax bracket investors. Municipal yields rose slightly more than Treasuries making them more expensive on a relative basis.

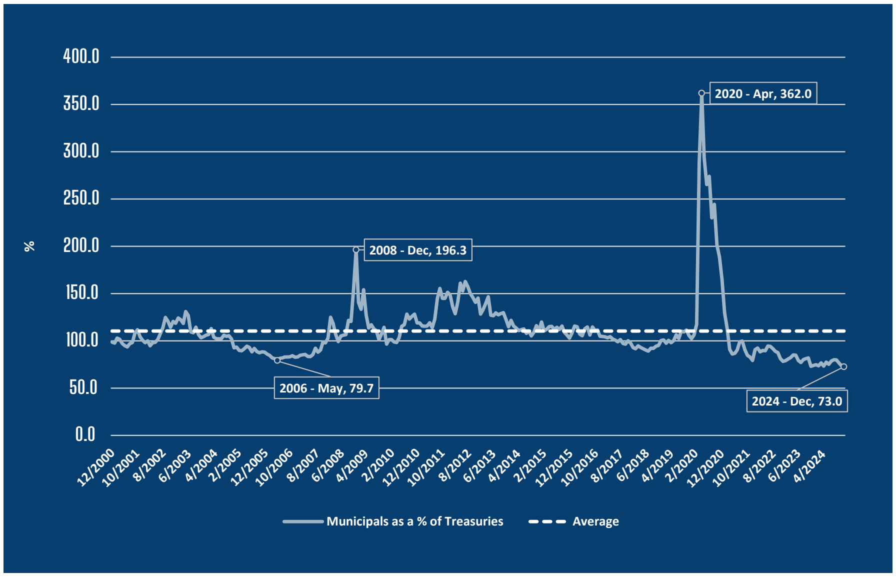
Term	AAA General Obligation	U.S. Treasury	Municipal % of Treasury
1	2.95	4.24	69.5%
2	2.80	4.24	66.2%
3	2.81	4.29	65.7%
4	2.84	4.34	65.4%
5	2.88	4.39	65.5%
7	2.98	4.48	66.4%
10	3.11	4.59	67.8%
15	3.32	4.75	69.8%
20	3.56	4.87	73.7%
25	3.74	4.88	76.7%
30	3.82	4.78	79.8%

As of December 31, 2024
Source: Bloomberg

Municipal Bonds

Municipal bond credit quality remains strong, reflected in valuations relative to Treasuries. Municipals still make sense for higher tax bracket investors.

Municipal Yields as a Percentage of Treasury Yields
ICE/Bank of America Municipal Master/10-Year Treasury



As of December 31, 2024
Source: Haver

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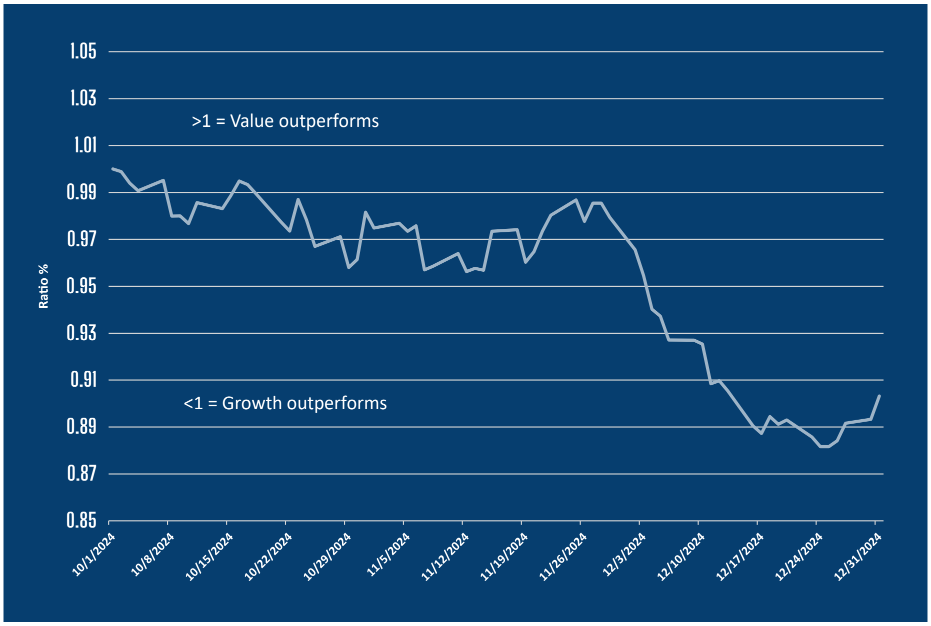
Equity – Value vs. Growth

Growth outperformed value in Q4.

Large Cap Value/Large Cap Growth - Q4 2024

Russell 1000 Value/Russell 1000 Growth



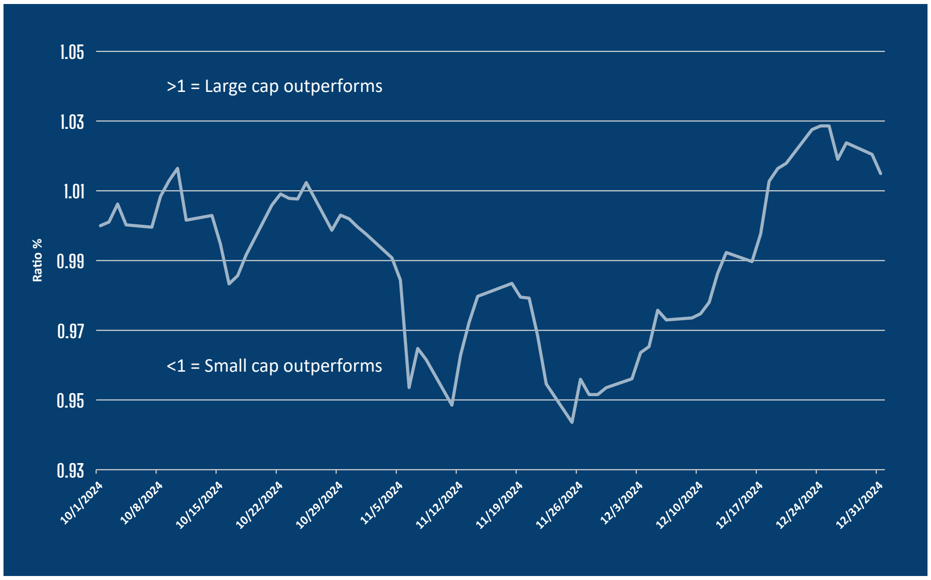
As of December 31, 2024
Source: Bloomberg

Equity – Large vs. Small

Large caps outperformed small caps during Q4.

Large Cap/Small Cap - Q4 2024

S&P 500/Russell 2000



As of December 31, 2024
Source: Bloomberg

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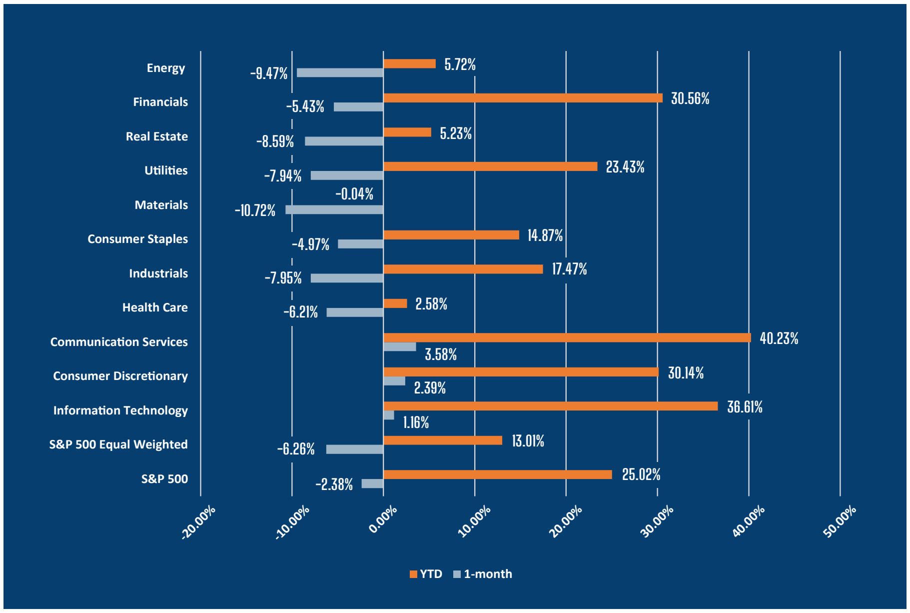
U.S. Equities – Return by Sector

December was a difficult month for stocks as the "Santa Claus" rally never materialized. However, trailing one-year returns have remained strong across the broad market and most sectors.

S&P 500 Sector Returns

Q4 2024



As of December 31, 2024
Source: Conway

Country Total Returns (%) – 10 Largest Economies

Global equities were mixed in Q4 with the U.S. and Japan leading and the emerging markets (Brazil, India, China) lagging.

Country Total Equity Market Returns

As of December 31, 2024
Source: Bloomberg

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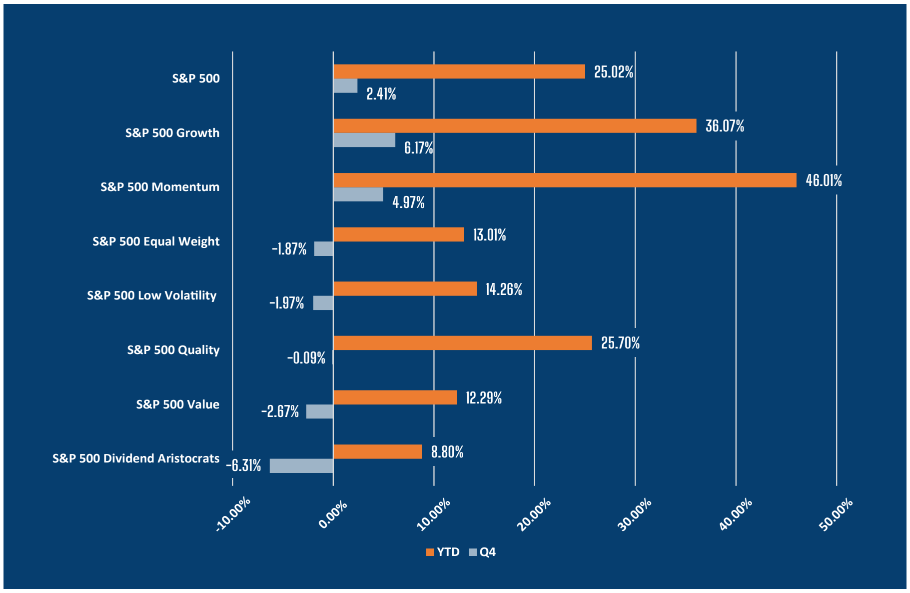
EQUITY MARKET UPDATE

U.S. Equity Factors – Total Return Q4

Factor leadership flipped from Q3. Rising yields hurt dividend and value-related factors while momentum led by a large margin.

Total Return: Core Factors

Q4 2024

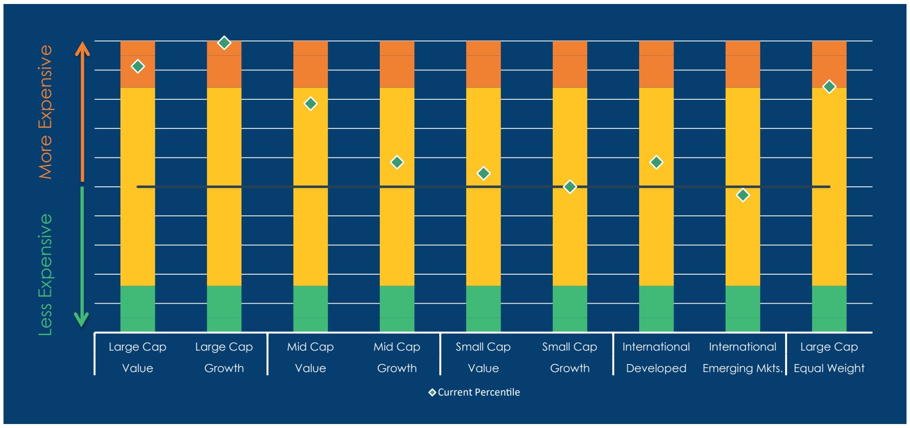


As of December 31, 2024
Source: S&P

Valuations

Large-cap stocks remain expensive relative to history and the most expensive part of the market. Small-cap stocks are at historically inexpensive levels relative to their large-cap brethren after years of underperformance.

Equity Asset Classes Value Rank to Own History



Equally weights price/book, price/cash flow, price/sales, price/earnings and compares to own history

As of December 31, 2024
Source: BFE, Bloomberg

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Valuations

U.S. large-cap stocks remain expensive relative to history. Growth stocks, particularly tech and communication services, are the most expensive segment of the market.

S&P 500 Composite: Forward Price/Earnings (P/E) Estimate
(Current + 3 Quarters)

As of December 31, 2024
Source: Haver

Equity Risk Premium

The equity risk premium is a valuation metric showing an "expected" return for stocks over bonds. As yields have risen, bond returns have become more attractive relative to stocks, and the equity risk premium is the lowest since 2002.

Equity Risk Premium
Earnings Yield (1/S&P 500 P/E ratio) less Real 10-year Yield (10-Year-Expected Inflation)

As of December 31, 2024
Source: Benjamin F. Edwards

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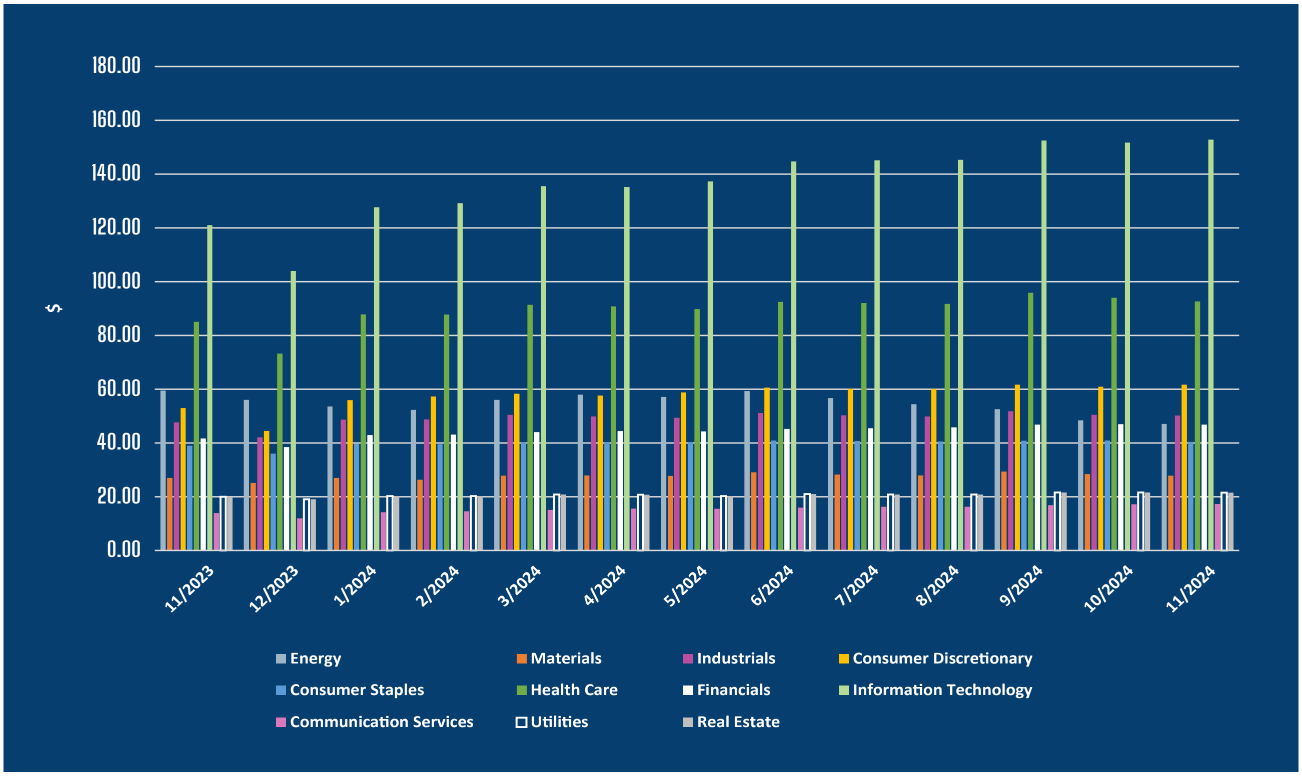
Earnings Prospects

Earnings projections by sector are mixed but are generally declining or the growth rate is slowing.

S&P 500 Sector Earnings

Current +Three Quarters



As of December 31, 2024
Source: Haver

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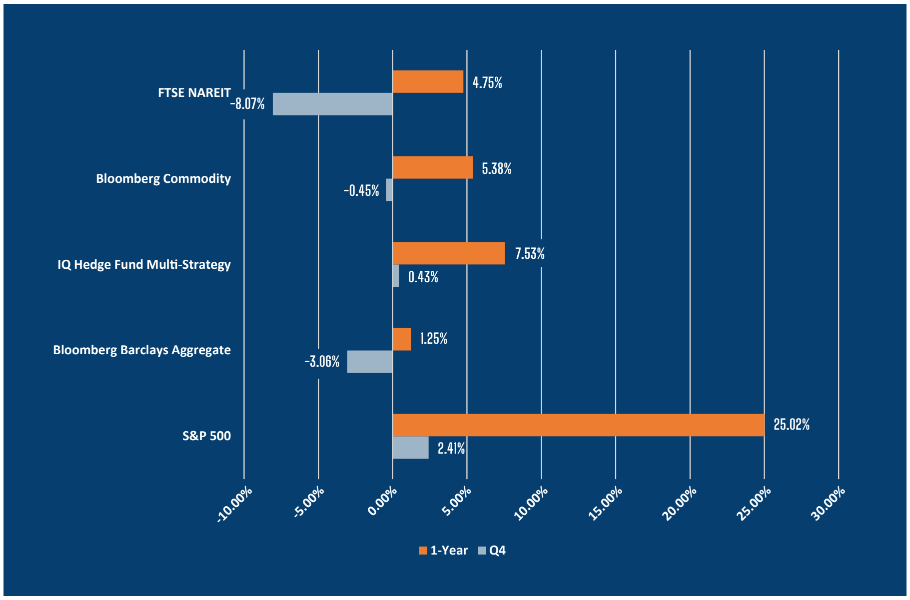
Alternative Returns

Alternative strategies and asset classes were generally negative in Q4. Hedge funds posted competitive returns for the full year on higher "carry" and greater equity dispersion.

Alternative Returns
Q4 2024

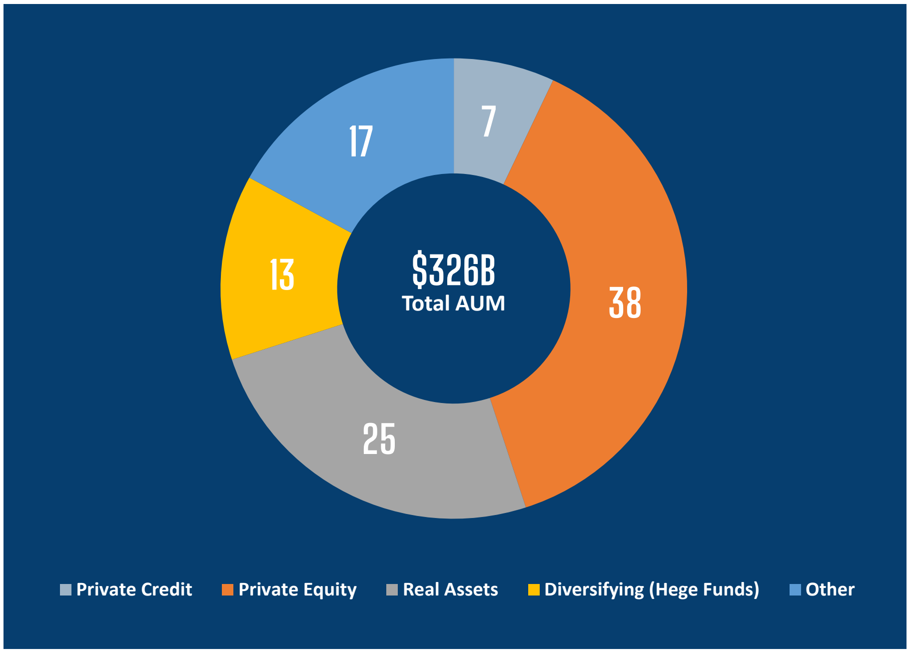


As of December 31, 2024
Source: Conway

Perpetual Funds

The number of perpetual funds (interval funds, tender funds, nonlisted business development companies and real estate investment trusts) continues to grow; 50 are currently in registration after 31 new launches in 2024.

Perpetual Funds By Type (%)



As of December 31, 2024
Source: Cliffwater

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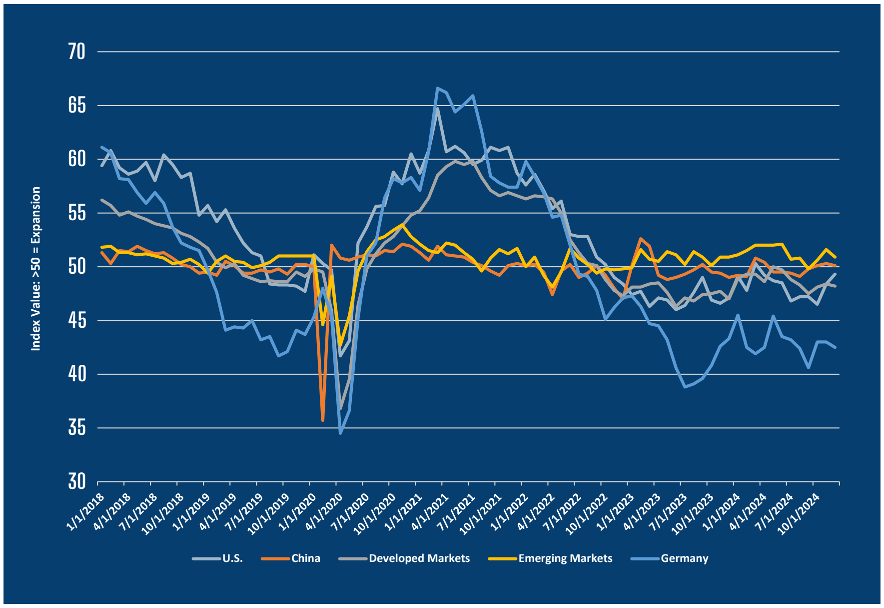
PMI Composites

The Purchasing Managers Index (PMI) is a survey-based measure of the prevailing direction of trends in the manufacturing sector. Readings >50 equal expansion and <50 contraction. By this measure, global growth remains muted.

Global Manufacturing Surveys



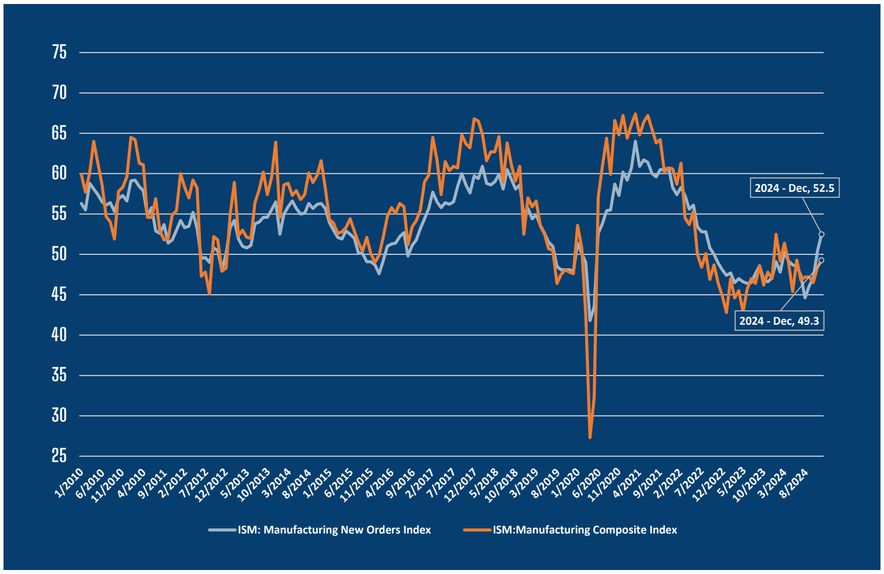
As of December 31, 2024
Source: Bloomberg, Haver

Manufacturing

After a prolonged period of weakness, manufacturing has improved in recent months.

ISM Manufaturing vs. ISM Manufacturing New Orders

>50=Expansion, <50=Contraction

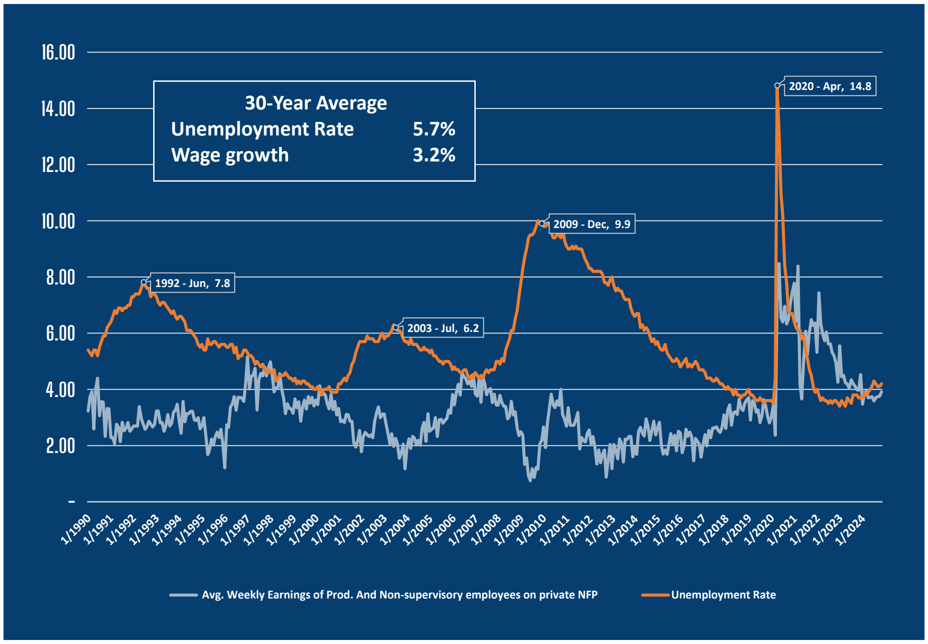


As of December 31, 2024
Source: Haver

Employment

Despite a low unemployment rate and high inflation, wage growth has been somewhat subdued.

Unemployment Rate and year-over-year Wage Growth

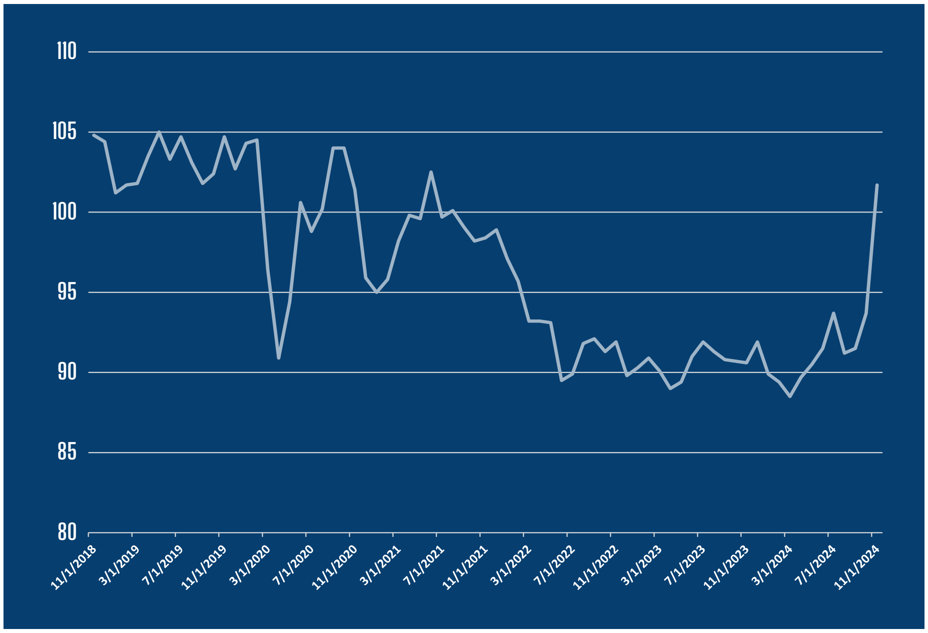


As of December 31, 2024
Source: Haver

U.S. Business Environment

Small business optimism turned sharply higher after the November election. Small businesses account for roughly two-thirds of new U.S. private sector jobs.

National Federation of Independent Businesses Small Business Optimism Index



As of December 31, 2024
Source: NTAM

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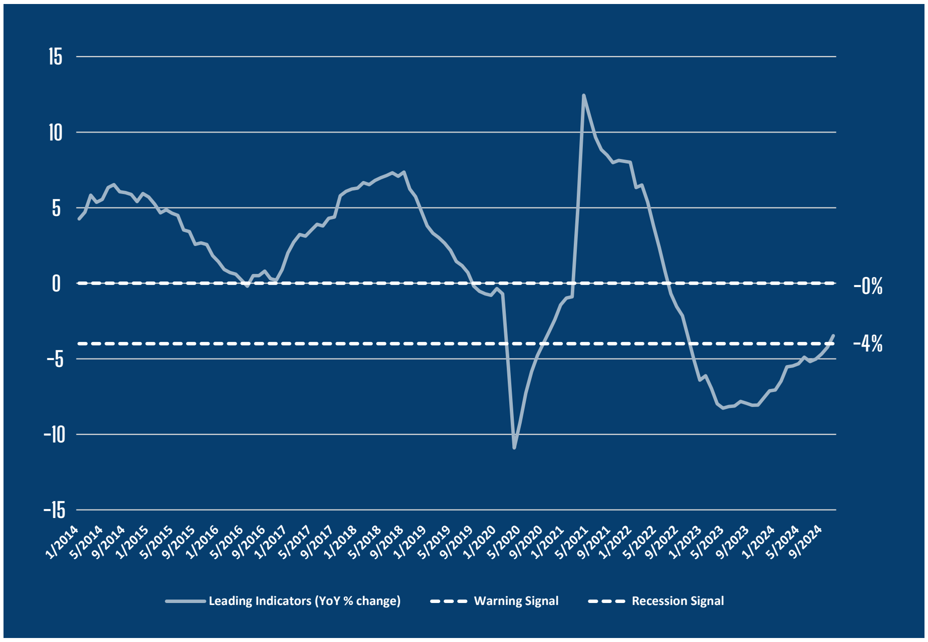
Leading Indicators

The index of leading indicators has been negative for 32 of the last 33 months, consistent with soft economic growth/ recession.

Composite Index of 10 Leading Indicators

% Change Year over Year



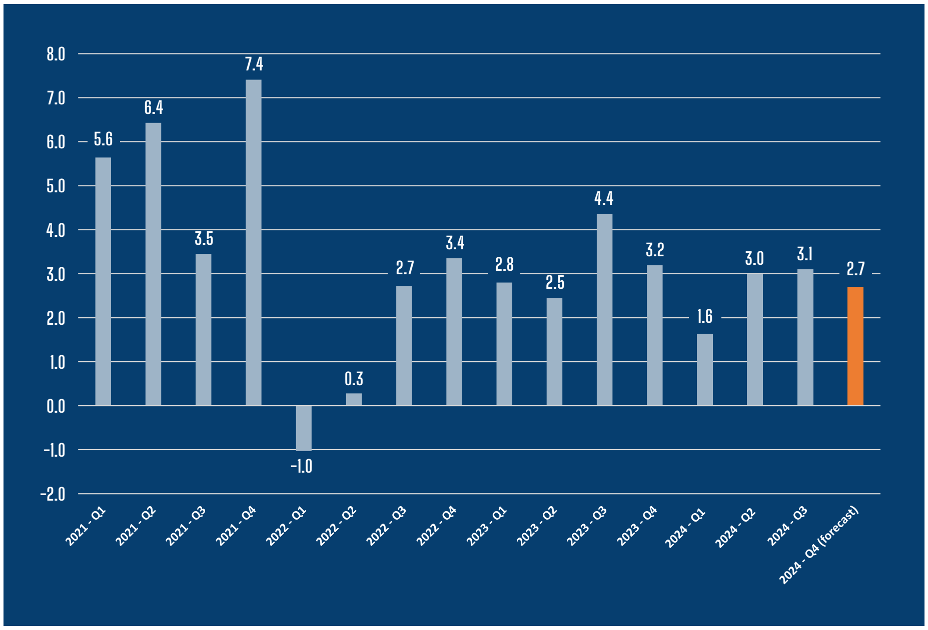
As of December 31, 2024
Source: Haver

Growth

Despite recessionary concerns, the economy continues to grow at a solid pace. The GDPNow forecast from the Atlanta Fed shows 2.7% for GDP for Q4 and the economy enters 2025 on solid footing.

Real Gross Domestic Product

% Change - Annual Rate



As of December 31, 2024
Source: Haver, Atlanta Fed

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December 31, 2024	MTD	QTD	YTD	1-Year	3-Year	5-Year	10-Year
Fixed Income Indices							
Bloomberg U.S. Treasury Bill 1-3 Month	0.40%	1.19%	5.32%	5.32%	3.98%	2.49%	1.75%
Bloomberg Municipal	-1.46%	-1.22%	1.05%	1.05%	-0.55%	0.99%	2.25%
Bloomberg U.S. Aggregate	-1.64%	-3.06%	1.25%	1.25%	-2.41%	-0.33%	1.35%
Bloomberg U.S. High Yield	-0.43%	0.17%	8.19%	8.19%	2.92%	4.21%	5.17%
Bloomberg Global Aggregate	-2.15%	-5.10%	-1.69%	-1.69%	-4.52%	-1.96%	0.15%
U.S. Equity Indices							
DJ Industrial Average	-5.13%	0.93%	14.99%	14.99%	7.56%	10.55%	11.56%
S&P 500	-2.38%	2.41%	25.02%	25.02%	8.94%	14.52%	13.10%
NASDAQ Composite (Price)	0.48%	6.17%	28.64%	28.64%	7.27%	16.56%	15.09%
Russell 1000	-2.79%	2.75%	24.51%	24.51%	8.41%	14.27%	12.87%
Russell 1000 Growth	0.88%	7.07%	33.36%	33.36%	10.47%	18.95%	16.77%
Russell 1000 Value	-6.84%	-1.98%	14.37%	14.37%	5.63%	8.68%	8.48%
Russell Mid Cap	-7.04%	0.62%	15.34%	15.34%	3.79%	9.92%	9.63%
Russell 2500	-7.54%	0.62%	12.00%	12.00%	2.39%	8.76%	8.85%
Russell 2000	-8.26%	0.33%	11.54%	11.54%	1.24%	7.40%	7.81%
Russell 2000 Growth	-8.19%	1.70%	15.15%	15.15%	0.21%	6.85%	8.09%
Russell 2000 Value	-8.33%	-1.06%	8.05%	8.05%	1.94%	7.29%	7.14%
Non-U.S. Equity Indices							
MSCI World	-2.57%	-0.07%	19.19%	19.19%	6.85%	11.69%	10.52%
MSCI ACWI	-2.33%	-0.89%	18.02%	18.02%	5.94%	10.58%	9.79%
MSCI ACWI Ex-U.S.	-1.91%	-7.50%	6.09%	6.09%	1.35%	4.61%	5.31%
MSCI EAFE	-2.25%	-8.06%	4.35%	4.35%	2.17%	5.23%	5.71%
MSCI EAFE Growth	-2.75%	-9.07%	2.36%	2.36%	-2.26%	4.33%	6.22%
MSCI EAFE Value	-1.76%	-7.06%	6.44%	6.44%	6.62%	5.77%	4.96%
MSCI Europe	-2.42%	-9.68%	2.43%	2.43%	1.84%	5.53%	5.61%
MSCI Japan	-0.33%	-3.57%	8.68%	8.68%	3.18%	5.19%	6.62%
MSCI AC Asia	0.01%	-6.08%	11.12%	11.12%	0.41%	3.72%	5.59%
MSCI EAFE Small Cap	-2.27%	-8.31%	2.32%	2.32%	-2.78%	2.74%	5.95%
MSCI ACWI Ex-U.S. Small Cap	-2.10%	-7.59%	3.85%	3.85%	-0.98%	4.76%	6.10%
MSCI Emerging Markets	-0.09%	-7.84%	8.05%	8.05%	-1.48%	2.10%	4.04%
MSCI EM Asia	0.29%	-7.69%	12.56%	12.56%	-1.19%	3.41%	5.19%
MSCI China	2.69%	-7.66%	19.67%	19.67%	-5.92%	-3.29%	2.05%
MSCI EM Eastern Europe	-0.71%	-8.47%	-0.93%	-0.93%	-35.82%	-22.57%	-5.41%
MSCI EM Latin America	-6.01%	-15.73%	-26.02%	-26.02%	2.66%	-2.90%	0.75%
MSCI EM Small Cap	-0.99%	-7.12%	5.23%	5.23%	2.60%	9.05%	6.14%
MSCI Frontier Markets	0.20%	-1.11%	9.92%	9.92%	-3.03%	2.16%	2.61%
Hedge Fund Indices							
IQ Hedge Multi-Strategy	-1.38%	0.43%	7.53%	7.53%	3.15%	3.15%	2.95%
Real Assets Indices							
FTSE NAREIT Composite	-7.87%	-8.07%	4.75%	4.75%	-4.32%	2.89%	5.65%
Alerian MLP	-7.19%	4.94%	24.41%	24.41%	27.26%	15.55%	3.67%
Bloomberg Commodity	1.02%	-0.45%	5.38%	5.38%	4.05%	6.76%	1.28%
S&P Global Infrastructure	-4.48%	-2.48%	15.10%	15.10%	7.05%	5.28%	5.92%
Other							
Oil Price Brent Crude	1.76%	3.62%	-4.15%	-4.15%	-1.72%	2.27%	2.56%
CBOE Market Volitility (VIX)	28.42%	3.71%	39.36%	39.36%	0.25%	6.83%	-1.01%

Source: Morningstar

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2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	10 Yr Avg
Real Estate Securities 27.2%	Large-Cap Growth 5.7%	Small-Cap Stocks 26.6%	Emerging Markets 37.3%	Cash 1.9%	Large-Cap Growth 36.4%	Large-Cap Growth 38.5%	Real Estate Securities 39.9%	Managed Futures 6.8%	Large-Cap Growth 42.7%	Large-Cap Growth 33.7%	Large-Cap Growth 18.6%
Managed Futures 15.8%	Managed Futures 3.6%	Mid-Cap Stocks 20.7%	Large-Cap Growth 30.2%	Govt./Corp. Bonds -0.4%	S&P 500 Index 31.5%	S&P 500 Index 18.4%	S&P 500 Index 28.7%	Cash 1.5%	S&P 500 Index 26.3%	S&P 500 Index 25.0	S&P 500 Index 14.2%
S&P 500 Index 13.7%	Real Estate Securities 2.3%	Large-Cap Value 17.3%	International Stocks 25.0%	Large-Cap Growth -1.5%	Real Estate Securities 28.1%	Emerging Markets 18.3%	Large-Cap Growth 27.6%	Large-Cap Value -7.5%	International Stocks 18.2%	Large-Cap Value 14.4%	Mid-Cap Stocks 10.5%
Large-Cap Value 13.2%	S&P 500 Index 1.4%	S&P 500 Index 12.0%	S&P 500 Index 2.8%	Real Estate Securities -4.1%	Large-Cap Value 26.5%	Mid-Cap Stocks 13.7%	Small-Cap Stocks 26.8%	Mid-Cap Stocks -13.1%	Mid-Cap Stocks 16.4%	Mid-Cap Stocks 13.9%	Small-Cap Stocks 9.5%
Large-Cap Growth 13.1%	Govt./Corp. Bonds 0.2%	Emerging Markets 11.2%	Mid-Cap Stocks 16.2%	Managed Futures -4.4%	Mid-Cap Stocks 26.2%	Small-Cap Stocks 11.3%	Large-Cap Value 25.2%	Equal Wt. Blend 13.5%	Small-Cap Stocks 16.1%	Equal Wt. Blend 11.4%	Large-Cap Value 9.5%
Mid-Cap Stocks 9.8%	Cash 0.1%	Equal Wt. Blend 10.3%	Equal Wt. Blend 15.4%	S&P 500 Index -4.4%	Small-Cap Stocks 22.8%	Equal Wt. Blend 10.9%	Mid-Cap Stocks 24.8%	Govt./Corp. Bonds -13.6%	Equal Wt. Blend 15.3%	Small-Cap Stocks 8.7%	Real Estate Securities 8.8%
Equal Wt. Blend 8.9%	International Stocks -0.8%	Real Estate Securities 9.3%	Large-Cap Value 13.7%	Equal Wt. Blend -6.7%	International Stocks 22.0%	Govt./Corp. Bonds 8.9%	Equal Wt. Blend 16.3%	International Stocks -14.5%	Large-Cap Value 11.5%	Managed Futures 7.6%	Equal Wt. Blend 7.9%
Govt./Corp. Bonds 6.0%	Equal Wt. Blend -1.0%	Large-Cap Growth 7.1%	Small-Cap Stocks 13.2%	Large-Cap Value -8.3%	Equal Wt. Blend 19.9%	International Stocks 7.8%	International Stocks 11.3%	Small-Cap Stocks -16.1%	Real Estate Securities 11.5%	Emerging Markets 7.5%	International Stocks 4.8%
Small-Cap Stocks 5.8%	Small-Cap Stocks -2.0%	Managed Futures 4.2%	Real Estate Securities 9.3%	Small-Cap Stocks -8.5%	Emerging Markets 18.4%	Managed Futures 5.2%	Cash 0.1%	S&P 500 Index -18.1%	Emerging Markets 9.8%	Cash 5.3%	Emerging Markets 4.2%
Cash 0.0%	Mid-Cap Stocks -2.2%	Govt./Corp. Bonds 3.1%	Govt./Corp. Bonds 4.0%	Mid-Cap Stocks -11.1%	Govt./Corp. Bonds 9.7%	Large-Cap Value 2.8%	Managed Futures -0.8%	Emerging Markets -20.1%	Govt./Corp. Bonds 5.7%	Real Estate Securities 4.3%	Managed Futures 3.3%
Emerging Markets -2.2%	Large-Cap Value -3.8%	International Stocks 1.0%	Cash 0.9%	International Stocks -16.1%	Cash 2.3%	Cash 0.7%	Govt./Corp. Bonds -1.8%	Real Estate Securities -25.1%	Cash 5.0%	International Stocks 3.8%	Govt./Corp. Bonds 2.1%
International Stocks -4.9%	Emerging Markets -14.9%	Cash 0.3%	Managed Futures -2.3%	Emerging Markets -16.6%	Managed Futures -4.6%	Real Estate Securities -5.6%	Emerging Markets -2.5%	Large-Cap Growth -29.1%	Managed Futures -2.8%	Govt./Corp. Bonds 1.6%	Cash 1.6%

Source: Morningstar Direct

- ICE BofA US Three-Month U.S. Treasury Bill Index – An index representative of the money markets. It is an average of the last three three-month Treasury bill issues (excluding the current month-end bill)
- Credit Suisse Managed Futures Liquid Index has been used since 2020 and seeks to gain broad exposure to Managed Futures Strategies.
- Barclays Capital US Govt./Credit Bond Index – Based on all publicly issued intermediate and long-term government and corporate debt securities.
- Russell 1000 Growth Index - Measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
- Russell 1000 Value Index - Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.
- S&P SmallCap 600 – The 600 smallest U.S. companies on the S&P Composite 1500 index as measured by market capitalization.
- S&P MidCap 400 – The 400 U.S. companies on the S&P Composite 1500 index with market capitalization that is greater than that of companies on the S&P SmallCap 600 and less than that of companies on the S&P500.
- S&P 500 – Covers 500 industrial, utility, transportation and financial companies in the U.S. markets.
- NAREIT Index – Consists of NYSE-listed real estate investment trusts (REITS) with 75% or greater of their gross invested book assets invested directly or indirectly in the equity ownership of real estate.
- MSCI EAFE – Represents all of the MSCI developed markets outside of North America.
- MSCI Emerging Markets Index – An index created by Morgan Stanley Capital International (MSCI) that is designed to measure equity market performance in global emerging markets.
- Asset Class Blend – Return on an equal blend of all indexes used in this presentation.

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