

Fall 2025

Capital Perspectives

Investing in a Rorschach Economy



Tony Roth

Chief Investment Officer

As we make the final turn into the end of the calendar year, we are struck by the multitude of mixed messages on the economy. For investors, it's a bit of a Rorschach test, with something to satisfy bulls and bears alike. The bulls can find support for their thesis in improved consumer spending, solid global domestic product (GDP) data, and robust corporate earnings. Meanwhile, the bears have plenty to work with in the dismal labor market, low consumer and business sentiment, flaring trade risks and, yes, some signs of reaccelerating inflation. For the latter, these perceptions paint a picture of a deteriorating economy with stretched market valuations.

When we look at the inkblot, we see an economy that is slowing but not rolling over as it digests tariffs. We are mindful of building risks—across the political, economic, and market landscapes—that can make diversification more critical than ever.

The curious case of the labor market

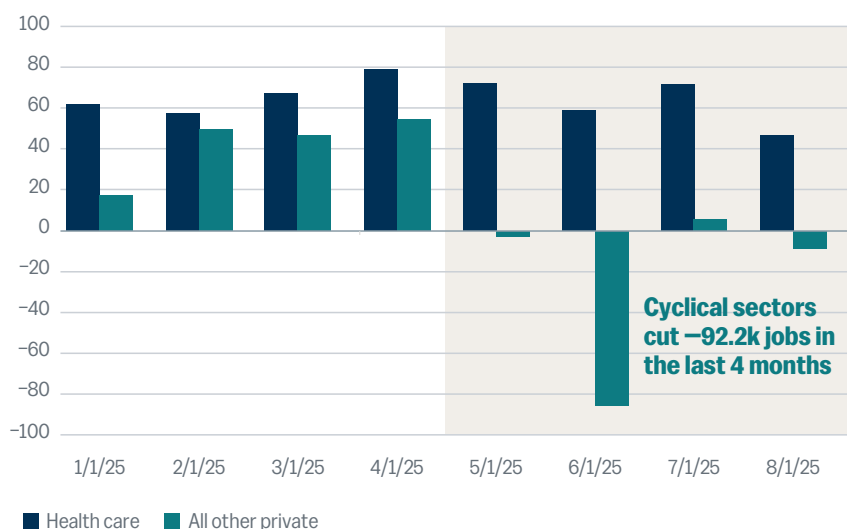
The labor market is one of the most critical and, currently, complex pieces of the economic puzzle. What is clear is that the job market is slowing. We think it most likely, however, that the coming months will bring just that, a slowing, rather than an outright rolling over, of the labor market and broader economy.

Labor demand is muted, with job openings plateauing below pre-pandemic levels. New job creation has slowed to a crawl and is being propped up by the health care sector (Figure 1). Outside of health care, the private sector has shed more than 90,000 jobs in the last four months. Data in recent months, as well as last year, have undergone significant downward revisions indicating a softer job market last year than was understood at the time.

The “curious” element, to use Federal Reserve (Fed) Chair Powell's verbiage, is that jobless claims—both initial and continuing—are low and stable. In other words, companies in the aggregate are not hiring, but they're also not firing. Low labor demand is being met with low labor supply, both from reduced immigration and

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Figure 1
Job growth slowing to a crawl
Job growth (thousands)



Data as of September 5, 2025. Source: Bureau of Labor Statistics.

aging demographics. Given significantly less growth of the labor supply in 2025 than 2024, the breakeven rate of job growth needed to keep the unemployment rate at 4.3% is probably in the range of 25,000-75,000 jobs per month. This range is above the rate of job growth we have seen since May, but given low labor supply, even a modest increase in job growth from current levels could signal a stabilization of the labor market.

We are on alert, and at 45%, our odds of a recession over the next 12 months are higher than Wall Street consensus. It would not take much to push the economy into a labor market contraction. And once the unemployment rate starts to climb, a recession is usually not far behind. It does not help that, at the time of writing, we are in the midst of a government shutdown, which will limit data availability at a critical juncture for the Fed and the economy. That said, it is important to note that we do not see the shutdown significantly increasing recession odds, provided it is resolved by early November.

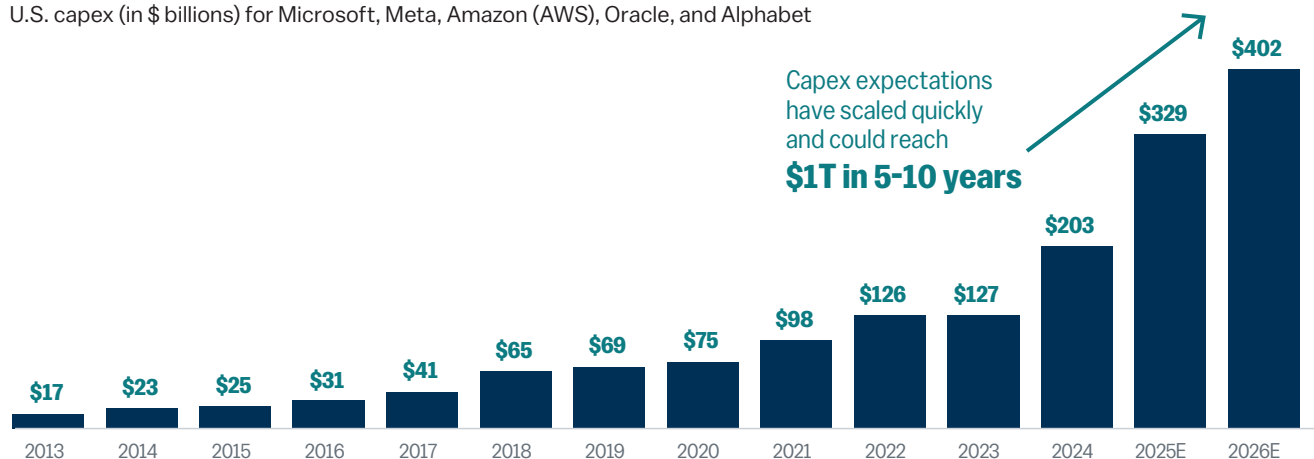
Inflation and the Fed

Tariffs can have a stagflationary impact on the economy, but so far we are seeing more stagnation and less inflation. Higher prices of imports at the border are resulting in an elevation of core goods inflation, but after more than a year of goods deflation, the rate of price increases on a six-month moving average basis has only climbed to the Fed's target. Core goods inflation could continue creeping higher as tariffs are digested in the supply chain, but tariffs are a one-time increase in prices rather than a persistent inflationary impulse. As such, it's reasonable to look through these increases in anticipation of them "rolling out" of the inflation data next year. Critically, we anticipate that goods inflation will lead to weaker consumer demand for services, thereby keeping services prices in check. All of this will, in our view, keep overall core CPI undulating around, if not tolerably higher than, the Fed's 2% target.

Figure 2

Hyperscalers spending aggressively on AI-related capex

U.S. capex (in \$ billions) for Microsoft, Meta, Amazon (AWS), Oracle, and Alphabet



Data as of September 30, 2025. Sources: Bloomberg, WTIA. Amazon capex discounted for AWS-specific spending.

With inflation sticky but very close to the Fed's target, we believe the weakening labor market will take precedence among the two sides of the Fed's dual mandate. Our expectation is that the Fed has the green light to keep cutting rates after restarting the rate-cut cycle in September. We anticipate another 50 basis points, or bps, of cuts in 2025, followed by 75 bps of cuts in 2026. At that point, the fed funds rate would be at our estimate of "neutral" (the rate that neither stimulates nor contracts the economy). This is a slightly more dovish forecast than what is currently priced into the fed funds futures market and is predicated on inflation continuing to decelerate toward the 2% target. Lower rates should bring relief to small businesses and some of the more cyclical industries that are feeling the burden of elevated borrowing costs. What is equally important but less clear is whether longer-term rates, which are particularly vital to the housing market, will also fall materially. Lower long-term rates are, in our view, a key ingredient to GDP growth reaccelerating to the long-term trend of approximately 2% in 2026 and beyond.

AI investment boom

After contracting in the first quarter, U.S. GDP growth rebounded to a very robust 3.8% in the second quarter, despite a slowing in the labor market. The economy is getting a nice tailwind from the frantic pace of artificial intelligence (AI) investment. About half of 2025's GDP growth can be attributed to tech spending on fixed investment and domestic sales. In addition, the stock boom has also importantly contributed to the wealth and spending power of higher-end consumers. Capital expenditures (capex), from Microsoft, Meta, Amazon (AWS), Oracle, and Alphabet are projected to top \$325B in 2025 and \$400B in 2026 (Figure 2). Looking more broadly, fixed investment in just three categories—computers, software, and data centers—accounted for 25% of overall non-residential fixed investment so far in 2025.¹

We expect AI-related capex to continue to ramp up through 2026 and 2027 driven by the growing demand for compute resources to support increasingly complex models and applications. The flipside of that optimistic view is the fear that AI infrastructure is in the process of being massively overbuilt. More on this in a moment.

¹ Barclays, BEA. "Computers" is represented by "computers and peripherals" in the BEA data.

The equity market inkblot

The equity market has been charging ahead since the April 8 low. The 34% return of the S&P 500 since April 7 ranks in the 98th percentile of six-month returns, looking back over the last 30 years.² Notably, prior periods of similar strength have signaled a durable bottom in the market, occurring around episodes like the bottoming of the global financial crisis and the Covid selloff.

The equity market has certainly gotten a lift from receding trade tensions, which, unfortunately, are rearing their ugly head again. We expect the Trump administration to continue to engage with Chinese trade delegations, but progress will likely not be linear. Trade restrictions on semiconductors and rare earths represent both countries' "trump" cards, and we believe that any détente would be fragile.

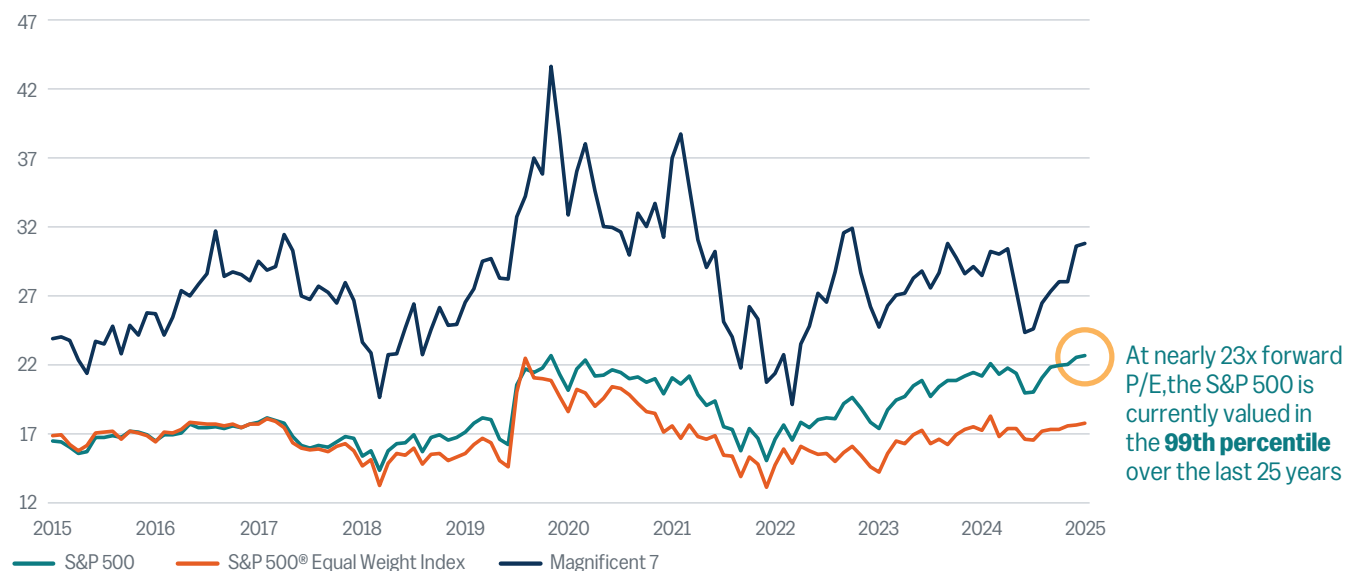
As noted, the largest market support has been the AI trade, with tech, communication services, and utilities the top performers over the last three months and year to date. There are signs of life in other sectors, too. Despite the emergence of what appears at this time to be some idiosyncratic credit-related events, financials have performed well this year, as credit losses seem benign and a steeper yield improves profitability.

The biggest concern in the equity market is whether the AI trade can continue to justify very lofty valuations. The S&P 500 is trading in the 99th percentile regardless of what metric you use, looking back over the last 25 years (Figure 3). We are mindful of building concerns about AI investment generating an asset bubble and ever-increasing comparisons to the late 1990s. Studies point to relatively low adoption of AI by corporations and even less productivity growth to show for the investments that have been made thus far.

² Bloomberg.

Figure 3

Equity valuations extended
Forward P/E ratio (last 10 years)



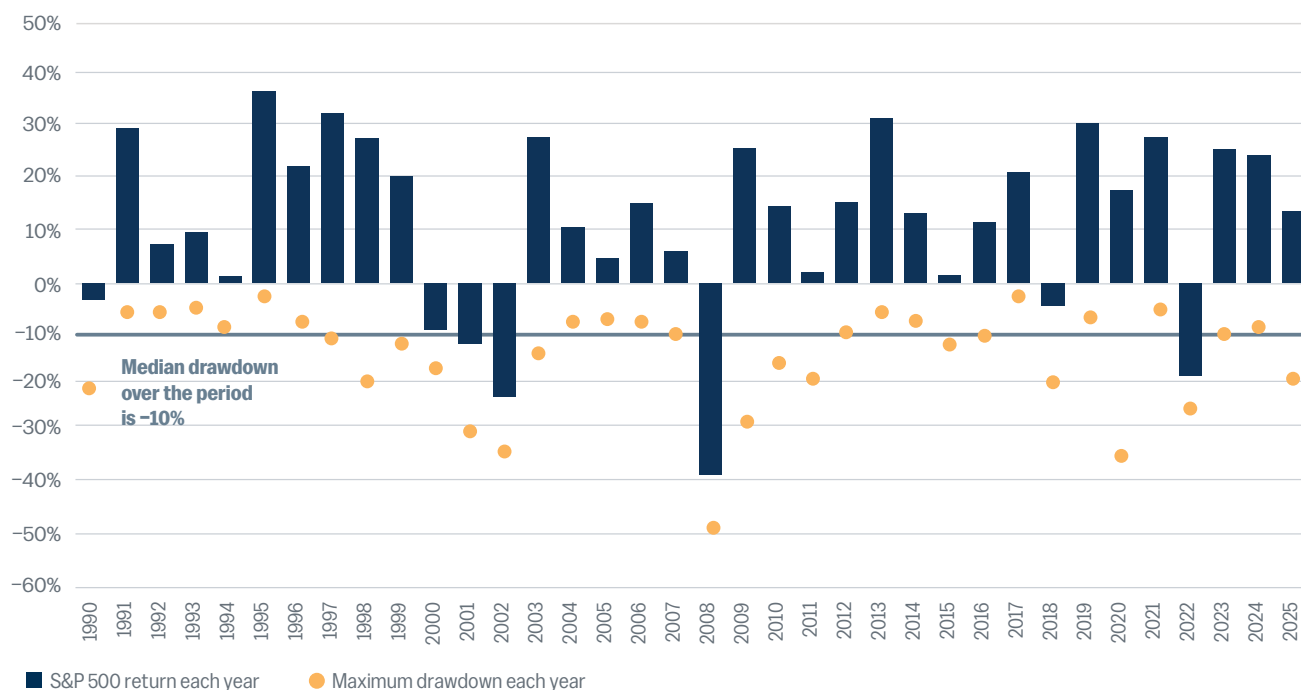
Data as of September 30, 2025. Source: Bloomberg.

S&P 500 Equal Weighted Index uses the same 500 companies as the S&P 500, but each stock carries equal weight, reducing concentration in large-cap names and providing balanced exposure. Magnificent 7 are Apple, Microsoft, Alphabet, Amazon, Meta, Tesla, and Nvidia, which dominate market performance.

Figure 4

Market corrections are the norm, even in strong years for equities

S&P 500 Intra-year declines vs. calendar-year returns



Data as of September 30, 2025. Source: Bloomberg.

The challenge is predicting how the technology develops and how deeply it becomes integrated into our economy in the next 5–10 years. If AI never goes little beyond a free and fancy web search function, then the necessary return on AI infrastructure investments will never be realized. However, in our view, AI can prove far more transformative to corporate work applications, automated manufacturing, health care, and more.

We agree that productivity is not yet getting a boost from AI. To us that means there is a significant potential for improved productivity growth as AI inference applications are further developed. It also means tremendous opportunity for fresh businesses to emerge as leaders in this new economy—both producers and users of the technology applications. There is sharp debate about whether the AI investment opportunity is in the second or tenth inning. We believe that we are closer to the middle innings with room to run.

Positioning portfolios

We are monitoring the slowing economy for deepening cracks. Equity market momentum has recently vacillated and a normal pullback in the market of the 5%–10% variety is now likely. These pullbacks are very typical and would represent a healthy reset for the next leg of the bull market (Figure 4). Due to the impossibility of predicting corrections such as these, and our assessment that economic slowing is more likely than recession, we favor staying fully invested and riding through near-term volatility.



Tony Roth
Chief Investment Officer

In the meantime, our focus has shifted to corporate earnings, which have grown well above expectations this year. Next year is also looking constructive, with projections for double-digit earnings growth and broad-based strength across sectors. Corporate balance sheets are in sound health with elevated cash levels. All of that could, of course, change if the economic picture deteriorates, and we will be carefully scouring earnings calls to get clues for what management is seeing on the horizon.

In many ways we find ourselves in uncharted waters. This uncertainty is helping drive capital into unconventional asset classes like cryptocurrency and gold as potential hedges against failures in traditional stocks and bonds. We are actively considering these and other asset classes as potential diversifiers, but at this time do not believe the forward-looking returns justify prices for the risk assumed. Any number of macro factors could change that view, and we will keep you updated on developments in portfolios.

A handwritten signature in dark ink that reads "Tony". The signature is written in a cursive, flowing style.

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Return volatility, as measured by standard deviation, of asset classes is often used as a proxy for illustrating risk. Volatility serves as a collective, quantitative estimate of risks present to varying degrees in the respective asset classes (e.g., liquidity, credit, and default risks). Certain types of risk may be underrepresented by this measure. **Investors should develop a thorough understanding of the risks of any investment prior to committing funds.**

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Glossary

30-day U.S. Treasury bill rate Bank of America Merrill Lynch U.S. 3-Month Treasury Bill Index measures the performance of a single U.S. Treasury bill added to the index at the beginning of the month and held for a full month; the issue is replaced with a newly selected issue at each month-end and the index will often hold the Treasury bill issued at the most recent three-month auction, it is also possible for a seasoned six-month bill to be selected.

Alpha is the excess return of an investment, relative to the return of a benchmark index.

Atlanta Fed GDPNow is a nowcasting model for gross domestic product (GDP) growth that synthesizes the bridge equation approach relating GDP subcomponents to monthly source data with factor model and Bayesian vector autoregression approaches. The GDPNow model forecasts GDP growth by aggregating 13 subcomponents that make up GDP with the chain-weighting methodology used by the US Bureau of Economic Analysis.

Basis points refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

Beta is a measure of how an individual asset moves when the overall stock market increases or decreases. Thus, beta is a useful measure of the contribution of an individual asset to the risk of the market portfolio when it is added in small quantity.

Bloomberg Agriculture Subindex Total Return (BCOMAGTR), formerly known as Dow Jones-UBS Agriculture Subindex Total Return (DJUBAGTR), is a commodity group subindex of the Bloomberg CTR composed of futures contracts on coffee, corn, cotton, soybeans, soybean oil, soybean meal, sugar and wheat and reflects the return on fully collateralized futures positions and is quoted in USD.

Bloomberg Commodity Index is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM; it combines the returns of the BCOM with the returns on cash collateral invested in 13 week (3 Month) U.S. Treasury Bills.

Bloomberg Commodity Total Return index (BCOMTR) is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM and combines the returns of BCOM with the returns on cash collateral invested in 13 week (3 Month) U.S. Treasury Bills.

Bloomberg Dollar Spot Index tracks the performance of a basket of 10 leading global currencies versus the U.S. Dollar. It has a dynamically updated composition and represents a diverse set of currencies that are important from trade and liquidity perspectives.

Bloomberg Energy Subindex Total Return (BCOMENTR), formerly known as Dow Jones-UBS Energy Subindex Total Return (DJUBENTR), is a commodity group subindex of the Bloomberg CTR composed of futures contracts on crude oil, heating oil, unleaded gasoline and natural gas and reflects the return on fully collateralized futures positions and is quoted in USD.

Bloomberg Global Aggregate Bond Index measures the performance of global investment-grade fixed-rate debt markets, including the U.S., Pan-European, Asian-Pacific, Global Treasury, Eurodollar, Euro-Yen, Canadian, and investment-Grade 144A index-eligible securities.

Bloomberg Industrial Metals Subindex Total Return Index (BCOMTNT), formerly known as Dow Jones-UBS Industrial Metals Subindex Total Return (DJUBINTR), is a commodity group subindex of the Bloomberg CTR composed of longer-dated futures contracts on aluminum, copper, nickel and zinc and reflects the return on fully collateralized futures positions and is quoted in USD.

Bloomberg Municipal Bond Index covers the four main sectors of the USD-denominated long-term tax-exempt bond market: state, and local, general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

Bloomberg Precious Metals Subindex Total Return (BCOMPRTTR), formerly known as Dow Jones-UBS Precious Metals Subindex Total Return (DJUBPRTTR), is a commodity group subindex of the Bloomberg CTR composed of futures contracts on gold and silver. It reflects the return on fully collateralized futures positions and is quoted in USD.

Bloomberg U.S. Aggregate Index measures the performance of the entire U.S. market of taxable, fixed-rate, investment-grade bonds. Each issue in the index has at least one year left until maturity and an outstanding par value of at least \$250 million.

Bloomberg US Credit Index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

Bloomberg U.S. High Yield Corporate Index, formerly Lehman Brothers U.S. High Yield Corporate Index, measures the performance of taxable, fixed-rate bonds issued by industrial, utility, and financial companies and rated below investment grade. Each issue in the index has at least one year left until maturity and an outstanding par value of at least \$150 million.

Bloomberg U.S. Mortgage Backed Securities Index measures the performance of investment grade fixed-rate mortgage-backed pass-through securities of GNMA, FNMA, and FHLMC.

Bloomberg US Treasury US TIPS TR USD index measures the performance of rules-based, market value-weighted inflation-protected securities issued by the U.S. Treasury. It is a subset of the Bloomberg US Treasury Inflation-Linked Bond Index (Series-L), which measures the performance of the US Treasury Inflation Protected Securities (TIPS) market. Federal Reserve holdings of US TIPS are not index eligible and are excluded from the face amount outstanding of each bond in the index.

Call risk: Call risk is the possibility that an issuer may redeem a fixed income security before maturity (a call) at a price below its current market price. An increase in the likelihood of a call may reduce the security's price.

Cambridge Global Private Equity Index is a horizon calculation based on data compiled from 2,354 private equity funds, including fully liquidated partnerships, formed between 1986 and 2019. All returns are net of fees, expenses, and carried interest.

Glossary Continued

Consumer price index measures the price of consumer goods and how they're trending and is a tool for measuring how the economy as a whole is faring when it comes to inflation or deflation.

Coupon, coupon rate, or coupon payment is the annual interest rate paid on a bond, expressed as a percentage of the face value and paid from issue date until maturity.

Credit risk: Fixed income securities carry the risk of default, which means that the security issuer fails to pay interest or principal when due. Many fixed income securities receive credit ratings from services such as Standard & Poor's and Moody's Investor Services, Inc. These services assign ratings to securities by assessing the likelihood of issuer default. Lower credit ratings correspond to higher credit risk.

Dow Jones Global ex. US Select RESI Index tracks the performance of equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded globally, excluding the U.S.

Drawdown is a peak-trough decline during a specific period for an investment, trading account, or fund and is usually quoted as the percentage between the peak and the subsequent trough.

Drift occurs when an asset or investment diverges significantly from its objective or investment style, such as market capitalization. It can result naturally from capital appreciation in one asset relative to others in a portfolio, a change in a fund's management, or a manager who begins to diverge from the portfolio's mandate. It can be corrected by rebalancing the fund to optimal weights.

Duration risk is the risk associated with the sensitivity of a bond's price to a one percent change in interest rates. The higher a bond's duration, the greater its sensitivity to interest rates changes.

Equity risk premium is the extra return that's available to equity investors above the return they could get by investing in a riskless investment like T-Bills or T-Bonds or cash.

ESG is a strategy that integrates environmental, social, and governance (ESG) factors into the investment process may avoid or sell investments that do not meet criteria set forth by the investment manager. Such investments may perform better than investments selected utilizing ESG factors.

Event-driven hedge fund strategies attempt to take advantage of temporary stock mispricing before or after a corporate event takes place. An event-driven strategy exploits the tendency of a company's stock price to suffer during a period of change.

Federal funds rate is the interest rate at which depository institutions lend reserve balances to other depository institutions overnight on an uncollateralized basis.

Global intangible low-taxed income (GILTI) is a category of income that is earned abroad by U.S.-controlled foreign corporations (CFCs) and is subject to special treatment under the U.S. tax code.

Gold can be significantly affected by international monetary and political developments as well as supply and demand for gold and operational costs associated with mining.

Headline inflation is a measure of the total inflation within an economy, including commodities such as food and energy prices, which tend to be much more volatile and prone to inflationary spikes.

HFR® (HedgeFundResearch) Indices are the established global leader in the indexation, analysis and research of the hedge fund industry. They are broadly constructed indices designed to capture the breadth of hedge fund performance trends across all strategies and regions.

HFRX Absolute Return Index and the HFRX Global Hedge Fund Index represent the overall composition of the hedge fund universe and comprise all eligible hedge fund strategies and selects constituents that characteristically exhibit lower volatilities and lower correlations to standard directional benchmarks of equity market and hedge fund industry performance.

HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe and are asset weighted based on the distribution of assets in the hedge fund industry.

Inflation-linked bonds are a specific type of index-linked securities that are tied to the costs of consumer goods as measured by the Consumer Price Index (CPI) or another index. Their values increase during inflationary periods, which reduces the risk of uncertainty.

Interest rate risk: Prices of fixed income securities rise and fall in response to changes in the interest rate paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall. However, market factors, such as the demand for particular fixed income securities, may cause the price of certain fixed income securities to fall while the price of other securities rise or remain unchanged. Interest rate changes have a greater effect on the price of fixed income securities with longer durations. Duration measures the price sensitivity of a fixed income security to changes in interest rates.

ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms and is considered to be a key indicator of the state of the U.S. economy.

ISM Non-Manufacturing Index is an economic index based on surveys of more than 400 non-manufacturing (or services) firms' purchasing and supply executives and is part of the ISM Report On Business—Manufacturing (PMI) and Services (PMI).

ISM Services Prices Paid Index is a diffusion index calculated by adding the percent of responses indicating they paid more for inputs plus one-half of those responding who paid the same; resulting in a single number that is seasonally adjusted.

LIBOR is the average interbank interest rate at which a selection of banks on the London money market are prepared to lend to one another.

Long, or a long position, describes an investor's expectation of a holding's future value. A position that the investor expects will rise in value and plans to hold for a long period of time is often described as "held long." It is the opposite of short, or a short position.

M2 money supply is a measure of the money supply that includes cash, checking deposits, and other types of deposits that are readily convertible to cash such as CDs.

Macro hedge fund strategies generally focus on financial instruments that are broad in scope and move based on systemic or market risk (not security specific). In general, portfolio managers who trade within the context of macro strategies focus on currency strategies, interest rates strategies, and stock index strategies.

Glossary Continued

The Magnificent Seven refers to the companies commonly recognized for their market dominance, their technological impact, and their changes to consumer behavior and economic trends: Alphabet (Google), Amazon, Apple, Meta (formerly Facebook), Microsoft, NVIDIA, and Tesla.

MSCI AC Asia ex Japan Index captures large- and mid-cap representation across two of three developed markets countries (excluding Japan) and nine emerging markets countries in Asia. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI All Country World Index (ACWI) is a stock index designed to track broad global equity-market performance. Maintained by Morgan Stanley Capital International (MSCI), the index comprises the stocks of about 3,000 companies from 23 developed countries and 26 emerging markets.

MSCI China Index captures large- and mid-cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs). The index covers about 85% of this China equity universe. Currently, the index includes large-cap A and mid-cap A shares represented at 20% of their free float adjusted market capitalization.

MSCI EAFE Growth Index captures large- and mid-cap securities exhibiting overall growth style characteristics across developed markets countries around the world, excluding the U.S. and Canada.

MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 902 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI EAFE® (net) Index measures the performance of approximately 20 developed equity markets, excluding those of the United States and Canada; total returns of the index are net of the maximum tax withholding rates that apply in many countries to dividends paid to non-resident investors.

MSCI Emerging Markets (net) Index captures large- and mid-cap representation across 27 emerging markets countries. With 1,407 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI EAFE Value Index captures large- and mid-cap securities exhibiting overall value style characteristics across developed markets countries around the world, excluding the U.S. and Canada.

MSCI Emerging Markets Index captures large- and mid-cap representation across 26 emerging markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Europe Index captures large- and mid-cap representation across 15 developed markets (DM) countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across the European DM equity universe.

MSCI Japan Index is designed to measure the performance of the large- and mid-cap segments of the Japanese market. The index covers approximately 85% of the free float-adjusted market capitalization in Japan.

MSCI United Kingdom Index is designed to measure the performance of the large- and mid-cap segments of the UK market. The index covers approximately 85% of the free float-adjusted market capitalization in the UK.

Personal consumption expenditures is the primary measure of consumer spending on goods and services in the U.S. economy and is the primary engine that drives future economic growth.

Price-to-earnings (P/E) ratio measures a company's current share price relative to its earnings per share (EPS).

Producer Price Index (PPI) is a family of indexes measuring the average change in selling prices received by domestic producers of goods and services.

Real estate investment trusts, or REITs, are companies that own, operate, or finance income-generating real estate. Similar to mutual funds, REITs pool the capital of numerous investors, allowing them to earn dividends from real estate investments without having to buy, manage, or finance properties themselves.

Relative value hedge fund strategies

cover a variety of low-volatility trading strategies with the consistent theme of attempting to reduce market risk, i.e., the manager seeks to generate a profit regardless of which direction the markets are moving. All relative value strategies minimize market risk by taking offsetting long and short positions in related stocks, bonds, and other types of securities.

Reverse optimization uses risk estimates and optimal portfolio weights (asset allocations) to derive the forward-looking returns that generate the highest expected risk-adjusted return for the portfolio; in contrast, traditional optimization uses risk estimates and forward-looking return assumptions to derive the portfolio weights (asset allocations) that generate the highest expected risk-adjusted return for the portfolio. Reverse optimization can be used to test or validate market outcomes in addition to (not as a replacement for) other methods of analysis.

Risk assets refers to assets that are not risk-free, such as currencies, equities, and other financial instruments. Treasuries are not included.

Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, representing approximately 92% of the total market capitalization of the Russell 3000 Index.

Russell 1000 Growth is a market capitalization-weighted index that measures the performance of the large-cap growth segment of U.S. equity securities; it includes the Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value is a market capitalization-weighted index that measures the performance of the large-cap value segment of U.S. equity securities; it includes the Russell 1000 index companies with lower price-to-book ratios and lower expected growth values.

Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

S&P 493 is a term that was coined to reference the index S&P 500 excluding the "Magnificent Seven" (M7) of Alphabet, Amazon, Apple, Meta (formerly Facebook) Platforms, Microsoft, Nvidia, and Tesla.

Glossary Continued

S&P 500 index measures the stock performance of 500 large companies listed on stock exchanges in the U.S. and is one of the most commonly followed equity indices.

S&P Developed Property index defines and measures the investable universe of publicly traded property companies domiciled in developed markets. The companies in the index are engaged in real estate related activities, such as property ownership, management, development, rental and investment.

S&P Listed Private Equity Index comprises the leading listed private equity companies that meet specific size, liquidity, exposure, and activity requirements. The index is designed to provide tradable exposure to the leading publicly-listed companies that are active in the private equity space.

S&P Municipal Bond Index is a broad, market value-weighted index that seeks to measure the performance of the U.S. municipal bond market.

S&P US REIT Index measures the investable U.S. real estate investment trust market and maintains a constituency that reflects the market's overall composition.

Short-duration Treasury securities

are backed by the full faith and credit of the U.S. government. They typically mature in one year or less.

Short, or short position, refers to a trading technique in which an investor sells a security with plans to buy it later; it is used when an investor expects the price of a security to fall in the short term.

Stagflation is persistent high inflation combined with high unemployment and stagnant demand in a country's economy.

Tail risk is the probability that the asset performs far below or far above its average past performance. Investors are most concerned with "left" tail risk, or the likelihood that observations fall three standard deviations below the average expected return.

Taxable equivalent yield (TEY) = the pretax yield that must be received on a taxable security to provide the holder the same after-tax yield as that earned on a tax-exempt security. The TEY = muni yield / (1 - highest tax rate).

Value sectors or stocks, generally refer to those trading at levels perceived to be below their fundamentals.

Yield curve plots yields (interest rates) of bonds having equal credit quality but differing maturity dates. The slope of the yield curve gives an idea of future interest rate changes and economic activity.

Yield to maturity is the estimated total return on a bond if the bond is held until it matures.

Yield to worst measures the lowest possible yield that can be received on a bond with an early retirement provision and must always be less than yield to maturity because it represents a return for a shortened investment period.