HB RETIREMENT®

QUARTERLY MARKET DIGEST

July 17, 2020

Economy Unstable, Asset Prices Higher

Global economies have shown some signs of improvement, but renewed shutdowns in the U.S. elongates the recovery timeline.

Asset prices have reacted positively to historical policy accommodation and economic data that has indeed gotten better.

With the benefit of central bank support, markets may be priced for perfection. Meanwhile, fundamentals tell a more unstable story.

Q2 Quick Summary

- Global equities recovered mightily as unprecedented central bank and fiscal support was engaged to offset the Covid-19 impact. As coronavirus case data improved, investors cheered an economic re-opening and pointed to improvement in such indicators as nonfarm payrolls, consumer confidence, and manufacturing and services activity.
- During Q2, the MSCI All Country World Index rose 19.4%, while the S&P 500 Index gained 20.5%. Most non-core bond segments recovered from Q1's despair. Of note, the Bloomberg Barclays U.S. High Yield Index rose 10.2% and the Bloomberg Barclays Investment Grade Corporate Index was 9.0% higher.
- Commodity prices also recovered in the second period as market participants anticipated some post-Covid recovery in demand. Oil and gold were notable gainers.
- The Bloomberg Barclays U.S. Treasury Bond Index managed a 0.5% gain as demand for "safe-haven" bonds remained notable and Treasury yields stayed low. The 10-yr Treasury yield ended the period at 0.66%; nearly unchanged from the close of Q1.
- U.S. fiscal and monetary policymakers debated the need for still-more policy support, while the Federal Reserve indicated its near-zero interest rate policy would remain for the foreseeable future.

Table 1: Key Asset Class Returns - Q2 2020

Source: Bloomberg; BBG=Bloomberg Barc = Barclays

Asset Class	Benchmark	Total Return
Global Equity	MSCI All-Country World Index	19.4%
Foreign Developed Equity	MSCI EAFE Index	15.1%
Foreign Emerging Equity	MSCI Emerging Markets Index	18.1%
Domestic Large-Cap Equity	S&P 500 Index	20.5%
Domestic Mid-cap Equity	S&P 400 Midcap Index	24.1%
Domestic Small-cap Equity	Russell 2000 Index	25.4%
U.S. Bond	BBG Barc U.S. Agg Bond Index	2.9%
U.S. Bond	BBG Barc U.S. High Yield Index	10.2%
Commodity	Bloomberg Commodity Index	5.1%

Table 2: S&P 500 Index Sector Returns - Q2 2020
Source: Bloomberg

Sector	Cyclical or Defensive	Total Return	Sector	Cyclical or Defensive	Total Return
Consumer Disc.	Cyc	32.9%	Info Tech	Cyc	30.5%
Consumer Stpls.	Def	8.1%	Materials	Cyc	26.0%
Energy	Cyc	30.5%	Real Estate	Cyc	13.2%
Financials	Cyc	12.2%	Comm Svcs.	Cyc	20.0%
Health Care	Def	13.6%	Utilities	Def	2.7%
Industrials	Cyc	17.0%			

Priced to Perfection?

During the second quarter, both credit and equity markets turned in robust returns. Clearly the injection of considerable fiscal and monetary stimulus across the globe provided a platform for material risky-asset price recovery. Asset prices were also aided by some light at the end of the tunnel, given April improvement in Covid-19 case data that led to partial economic re-openings during April/May/June. Some of this re-opening activity was evident in dramatically improved economic data on most fronts. U.S. jobs numbers, manufacturing and services activity, retail sales, consumer confidence, and other economic markers rebounded materially in the period. Similar economic indicators also rebound in other areas of the world.

In our view, the biggest reason for the Q2 rebound was the real and implied support from the Federal Reserve and other global central banks. Based on the substantial monetary measures enacted, central bank assets as a percent of GDP, are well above previous highs (Figure 1). We believe monetary policymakers understand that their support is vital in maintaining buoyancy in the economy and markets, although there is a risk that everlasting accommodation will upset the capitalist mechanism.

Central bank accommodation has been a big catalyst for the market recovery.

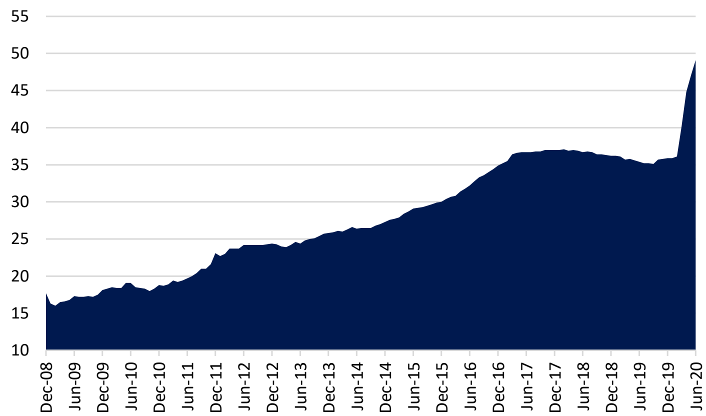
At this stage, however, backfilling with sustainably improved fundamentals becomes critically important.

Domestically, the Federal Reserve has injected over $2 trillion in monetary support via several programs aimed at aiding the economy and financial markets. And policymakers have also indicated a bias to do more if conditions warrant. The Fed has also stated its intent to keep its policy interest rate near zero for the foreseeable future. Meanwhile, debate on another stimulus package at the U.S. federal level continues. The Trump Administration is angling at the possibility of issuing another round of individual stimulus checks, plus other measures. However, the partisan battle to get this done may prove to be too much in this election year.

While the fiscal and monetary stimulus effects were notable and have helped push markets higher, the support has seemingly caused some excessive risk-taking in portions of the market. Current equity valuations and tight yield spreads to benchmark Treasuries paint a fundamental picture that appears to be materially different from the current coronavirus

Figure 1: G4 Central Bank Assets as % of GDP

Source: Bloomberg, Federal Reserve, European Central Bank, Bank of England, Bank of Japan



reality. We believe the Covid-induced economic uncertainty, the deterioration of U.S./China relations, and the onset of U.S. election season are injecting risk variables not adequately represented in asset prices.

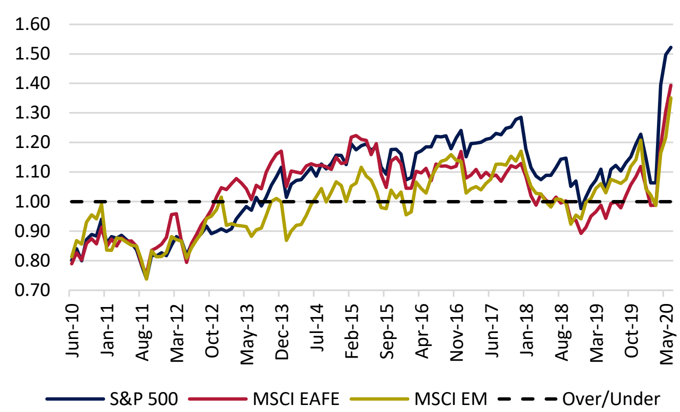
We are cognizant that a vaccine may quickly improve visibility toward improved fundamentals and help support valuations, but some of that eventuality may already be priced-in, in our view. We are happy to see the recovery, but we are wary that the seeming safety-net of monetary policy has only papered over evident cracks in the foundation.

Forward price-to-earnings valuations are currently at extreme levels.

While it is known that valuations are not market-timing indicators, we do believe they help answer the following question: How much equity exposure am I willing to put at risk?

Figure 2: Global Equity Indices Forward PE / Rolling 10yr PE Avg. Ratio

Source: S&P Dow Jones, MSCI, Bloomberg



GDP Forecasts May Be Dialed Down

Economically, the deep U.S. recession will seemingly only be resolved through the wide distribution of a Covid-19 vaccine. Given the recent spike in cases across parts of the U.S., governors have again taken measures to shut down their economies. While there has been considerable debate about such decisions being taken on case rates rather then death rates, the mandates have been issued based on the former. This will likely be the protocol going forward. As a result, we anticipate U.S. economic recovery scenarios will be elongated and the expected jump in Q3 GDP may now be more muted.

Table 3: U.S./Eurozone/Japan Quarter-over-Quarter GDP Forecasts

Source: Bloomberg E = Bloomberg consensus estimates

	Q3 '19	Q4 '19	Q1 '20	Q2 '20 E	Q3 '20 E	Q4 '19 E	Q1 '21 E	Q2 '21 E
United States	2.1%	2.1%	-5.0%	-33.7%	18.0%	6.9%	5.0%	4.1%
Eurozone	0.3%	0.1%	-3.6%	-12.4%	8.7%	2.8%	1.4%	1.0%
Japan	0.0%	-7.2%	-2.2%	-22.9%	9.7%	5.1%	3.6%	3.0%

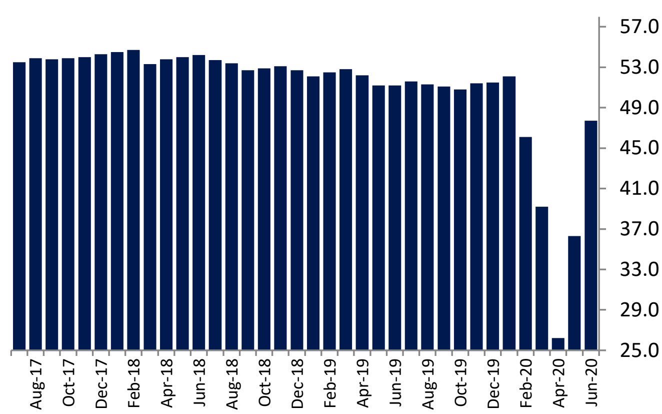
In terms of GDP, we believe economic forecasters could revisit their economic growth estimates for Q3 and Q4, Currently, the Bloomberg consensus is calling for a 18.0% GDP lift in the third period and a 6.9% gain in the fourth; following a 33.7% drop in the second quarter. With state-wide economic rollbacks now trending and with California effectively out-of-business for now, Q3 and Q4 forecasts may move lower, although we believe they could still point to quarter-over-quarter growth.

Given the timing of the first economic re-opening, the recovery was previously expected to be somewhat U-shaped. Now with economies shuttering again, the improvement path may take on a slow upwardly sloping trajectory, followed by more of a surge once vaccine distribution takes shape. Widespread vaccine distribution, according to the pace of some vaccine work being done today, is expected to be a mid-late 2021 event.

A rebound has been evident across global economies. Manufacturing and services industry activity is no exception.

Figure 3: JP Morgan Global Composite PMI Index

Source: JP Morgan, Markit

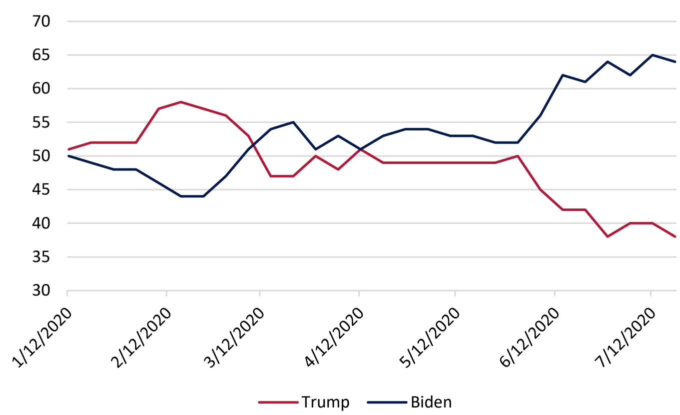


And Then There's The Election...

A factor that has gotten very little attention from market participants, in our view, but one that may yet have a material impact on the market volatility, is the upcoming U.S. election. While the ramifications of Covid-19 is rightfully taking center-stage, the apparent dichotomy of outcomes from the presidential election should be getting more attention from investors. Former vice president Joe Biden has begun to roll out a progressive agenda for what could be his next four years. This contrasts with President Trump who perhaps carries the more business/market-friendly mantle. Given that we believe some capitalist-premium has been priced into this market, we are expecting election uncertainty to eventually have an effect on market volatility as we approach November 3rd. Typically, equity returns are lower and volatility is higher during an election year. We have certainly seen Covid-related volatility, but we believe some election instability also could be around the corner. Investors should take note.

Rebalancing portfolios, following the material equity run, is a good practice at this stage.

Figure 4: Presidential Election Winner - Implied Probability
Source: Predictit.org



Our View

After robust returns in the second quarter, we believe it is prudent for investors to ensure they are taking less risk in the third period. We suggested taking increased risk in Q2, based on the expectation of some asset price rebound. Now that the rebound has occurred, we believe investors should take that risk back off the table. This should come in the form of:

This should come in the form of:

- Modest reductions in equity allocations relative to bonds
- An overweight to U.S. equity markets
- The employment of portfolio insurance or risk mitigation strategies

- A reduction in credit exposure
- An increase in U.S. Treasury bond exposure
- Confirmation that bond portfolios have a heavy majority of "core" (treasuries, agency mortgage-backed securities, investment-grade corporate bonds) bond exposures rather than "non-core" (high yield, bank loans, emerging market debt, etc.)

Given high equity valuations, relatively narrow credit spreads, rollbacks of economic re-openings, and the onset of a contentious election season, we believe investors will be well-advised to create some dry powder. In our view, continuing to ride the wave of distended asset prices, at this juncture, runs afoul of prudent risk taking and unnecessarily jeopardizes recent gains.

Bear in mind, we are not taking a bearish position on equities. A vaccine breakthrough, coupled with accommodative policies, may indeed make for notable market fuel. However, at today's prices, and with material risks in full view, we believe stepping a bit more lightly is justifiable.

Risks

Investors should be aware of the risks associated with all portfolio strategies and variable market conditions. Monetary policy changes, global military activity, the level and change in market interest rates, corporate earnings, domestic and foreign governmental policies, global economic data, and other geopolitical events can have a substantial effect on portfolio performance and the effectiveness of strategic and tactical portfolio approaches.

MULTI-ASSET/SECTOR/STYLE RETURNS		*Returns as of June 30, 2020*							
		Q2 - '20	YTD	2019	2018	2017	2016	5-Yr. Ann.	260D Vol
Mkt/Sector/Style	Benchmark Index	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
U.S. EQUITY (Total Return)									
BROAD MARKET	RUSSELL 3000 INDEX	22.0	-3.5	31.0	-5.2	21.1	12.7	10.2	34.5
LARGE-CAP	S&P 500 INDEX	20.5	-3.1	31.5	-4.4	21.8	12.0	10.9	34.0
MID-CAP	S&P 400 MID-CAP INDEX	24.1	-12.8	26.2	-11.1	16.2	20.7	5.5	40.4
SMALL-CAP	RUSSELL 2000 INDEX	25.4	-13.0	25.5	-11.0	14.6	21.3	4.3	42.1
GROWTH	RUSSELL 3000 GROWTH INDEX	28.0	9.0	35.8	-2.1	29.6	7.4	15.3	34.0
VALUE	RUSSELL 3000 VALUE INDEX	14.6	-16.8	26.2	-8.6	13.2	18.4	4.7	36.4
SECTOR	S&P 500 CONSUMER DISC INDEX	32.9	7.2	27.9	0.8	23.0	6.0	13.7	32.4
SECTOR	S&P 500 CONSUMER STAPLES INDEX	8.1	-5.7	27.6	-8.4	13.5	5.4	7.1	27.8
SECTOR	S&P 500 ENERGY INDEX	30.5	-35.3	11.8	-18.1	-1.0	27.4	-9.0	55.8
SECTOR	S&P 500 FINANCIALS INDEX	12.2	-23.6	32.1	-13.0	22.1	22.7	5.4	44.8
SECTOR	S&P 500 HEALTH CARE INDEX	13.6	-0.8	20.8	6.5	22.1	-2.7	8.3	30.2
SECTOR	S&P 500 INDUSTRIALS INDEX	17.0	-14.6	29.3	-13.3	21.0	18.8	7.2	39.0
SECTOR	S&P 500 MATERIALS INDEX	26.0	-6.9	24.6	-14.7	23.8	16.7	7.2	37.3
SECTOR	S&P 500 REAL ESTATE INDEX	13.2	-8.5	29.0	-2.2	10.9	1.1	5.9	40.1
SECTOR	S&P 500 TECHNOLOGY INDEX	30.5	15.0	50.3	-0.3	38.8	13.8	23.0	39.0
SECTOR	S&P 500 COMMUNICATION SVCS INDEX	20.0	-0.3	32.7	-12.5	-1.3	23.5	8.1	31.3
SECTOR	S&P 500 UTILITIES INDEX	2.7	-11.1	26.3	4.1	12.1	16.3	9.9	38.1
BOND (Total Return)									
BROAD MARKET	BBG BARC US AGGREGATE BOND INDEX	2.9	6.1	8.7	0.0	3.5	2.6	4.5	5.1
TREASURY	BBG BARC TREASURY BOND INDEX	0.5	8.7	6.9	0.9	2.3	1.0	4.2	6.6
INV GRADE CORP	BBG BARC INV. GRADE CORP INDEX	9.0	5.0	14.5	-2.5	6.4	6.1	6.3	8.7
HIGH YIELD CORP	BBG BARC US HIGH YIELD INDEX	10.2	-3.8	14.3	-2.1	7.5	17.1	5.2	10.4
MORTGAGE-BACKED	BBG BARC US MBS INDEX	0.7	3.5	6.4	1.0	2.5	1.7	3.2	2.7
COMMODITY (Total Return)									
BROAD MARKET	BBG COMMODITY INDEX	5.1	-19.4	7.7	-11.2	1.7	11.8	-6.4	16.6
ENERGY	BBG ENERGY INDEX	9.8	-46.3	11.8	-12.7	-4.3	16.3	-17.0	46.1
INDUSTRIAL METALS	BBG INDUSTRIAL METALS INDEX	12.3	-8.4	7.0	-19.5	29.4	19.9	1.3	15.7
PRECIOUS METALS	BBG PRECIOUS METALS INDEX	15.0	13.8	17.0	-4.6	10.9	9.5	7.5	21.1
GRAINS	BBG GRAINS INDEX	-6.3	-13.0	-1.1	-5.5	-11.3	-5.9	-11.0	16.2
SOFTS	BBG SOFTS INDEX	0.6	-16.6	2.1	-23.8	-15.6	12.8	-8.4	20.9
	BBG=Bloomberg								
HEDGE FUND (Total Return)									
Hedge Fund Research	HFRX GLOBAL HEDGE FUND INDEX	N/A	N/A	8.6	-6.7	6.0	2.5	0.8	4.6
Hedge Fund Research	HFRX EQUITY HEDGE INDEX	N/A	N/A	10.7	-9.4	10.0	0.1	-0.2	7.9
Hedge Fund Research	HFRX EQUITY MARKET NEUTRAL INDEX	N/A	N/A	-1.9	-3.2	1.7	-5.1	-1.9	6.8
Hedge Fund Research	HFRX MACRO INDEX	N/A	N/A	4.8	-3.3	2.5	-2.9	-0.4	4.7
Hedge Fund Research	HFRX EVENT DRIVEN INDEX	N/A	N/A	10.0	-11.7	6.5	11.1	1.6	6.3
Hedge Fund Research	HFRX MERGER ARBITRAGE INDEX	N/A	N/A	0.2	-1.9	2.2	4.3	1.6	13.0
Hedge Fund Research	HFRX ABSOLUTE RETURN INDEX	N/A	N/A	4.4	-0.5	3.4	0.3	1.5	5.4
REAL ESTATE (Total Return)									
TOTAL REIT MKT	BBG NORTH AMERICAN REIT INDEX	13.4	-13.7	27.7	-4.6	9.0	9.0	5.2	41.9
APARTMENT	BBG REIT APARTMENT INDEX	5.7	-21.3	27.0	3.1	5.4	3.4	3.8	44.8
HEALTH CARE	BBG REIT HEALTHCARE INDEX	17.9	-25.3	21.2	7.1	0.6	7.0	0.6	60.1
WAREHOUSE/INDUST.	BBG REIT WAREHSE./INDUST. INDEX	14.1	2.1	48.2	-2.5	20.8	31.5	20.6	42.7
MORTGAGE	BBG REIT MORTGAGE INDEX	37.7	-40.1	23.6	-2.9	20.3	22.3	-0.3	67.8
OFFICE PROPERTY	BBG REIT OFFICE PROP INDEX	3.7	-24.8	26.5	-14.9	2.2	10.6	-1.7	44.4
RETAIL	BBG REIT RETAIL INDEX	23.3	-35.9	11.9	-5.6	-4.8	1.1	-8.1	61.8

Data source: Bloomberg; BBG=Bloomberg; Barc=Barclays
260D Vol = 260-day volatility

GLOBAL EQUITY INDEX RETURNS		Returns as of June 30, 2020							
Regions / Countries	Benchmark Index	Q2 - '20 (%)	YTD (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	5-Yr. Ann. (%)	260D Vol (%)
BROAD MARKET									
World	MSCI ALL-COUNTRY WORLD INDEX	19.4	19.4	27.3	-8.9	24.7	8.5	7.5	27.3
Developed Markets	MSCI EAFE INDEX	15.1	-11.0	22.8	-13.3	25.7	1.6	2.9	23.0
Emerging Markets	MSCI EMERGING MARKET INDEX	18.1	-9.7	18.8	-14.3	37.8	11.7	5.0	23.5
UNITED STATES	S&P 500 INDEX	20.5	-3.1	31.5	-4.4	21.8	12.0	10.9	34.0
CANADA	S&P/TSX COMPOSITE INDEX	21.9	-11.8	22.8	-8.9	9.1	21.1	4.9	32.8
LATIN AMERICA									
Brazil	BRAZIL BOVESPA INDEX	24.0	24.0	31.6	15.0	26.9	38.9	13.6	44.1
Chile	CHILE STOCK MKT SELECT	18.0	18.0	-8.5	-8.3	34.0	12.8	0.7	35.4
Columbia	Colom COLCAP INDEX	9.1	9.1	30.3	-9.9	14.8	19.8	0.4	35.7
Mexico	MEXICO IPC INDEX	11.7	-28.6	7.6	-13.8	10.1	7.9	-2.4	23.8
Peru	PERU GENERAL INDEX	13.1	13.1	6.1	-3.1	28.3	58.1	5.6	23.9
UNITED KINGDOM	FTSE 100 INDEX	9.4	-22.3	17.2	-8.8	12.0	19.2	2.4	28.2
EUROPE EX U.K.									
Austria	AUSTRIAN TRADED ATX INDX	15.6	-28.9	19.0	-18.0	32.8	11.1	0.0	35.2
Belgium	BEL 20 INDEX	19.0	-14.6	26.2	-15.4	14.4	1.2	1.5	32.4
Czech Republic	PRAGUE STOCK EXCH INDEX	23.5	-20.4	18.3	-4.4	22.6	1.3	2.7	24.2
Denmark	OMX COPENHAGEN 20 INDEX	19.0	11.3	30.2	-10.8	18.7	-10.7	7.2	21.1
Finland	OMX HELSINKI INDEX	22.5	-4.0	18.6	-4.4	10.5	8.0	5.5	26.9
France	CAC 40 INDEX	16.3	-16.1	30.5	-8.1	12.5	8.8	3.0	31.3
Germany	DAX INDEX	27.0	-6.8	25.5	-18.3	12.5	6.9	1.9	31.6
Greece	ATHEX COMPOSITE	18.5	-29.1	52.5	-22.1	26.8	4.2	-2.4	39.7
Hungary	BUDAPEST STOCK EXCH INDX	13.0	13.0	17.7	-0.6	23.0	33.8	9.4	28.6
Ireland	IRISH OVERALL INDEX	19.0	-16.1	33.7	-20.8	9.4	-2.7	0.9	31.0
Italy	FTSE MIB INDEX	17.9	17.9	33.8	-13.6	16.9	-6.5	0.1	34.9
Netherlands	AEX-INDEX	19.6	-6.2	28.5	-7.4	16.5	13.6	6.2	27.7
Norway	OBX PRICE INDEX	19.8	-22.6	14.0	-0.4	19.5	14.1	4.6	26.9
Poland	WSE WIG 20 INDEX	22.3	-21.4	-2.6	-5.4	28.9	7.9	-2.5	31.1
Portugal	PSI 20 INDEX	13.4	-13.6	15.2	-8.6	19.3	-9.0	-1.6	25.2
Russia	RUSSIAN RTS INDEX $	20.9	-20.6	56.1	-1.9	5.9	59.4	11.9	38.1
Spain	IBEX 35 INDEX	10.7	10.7	16.5	-11.5	11.3	2.5	-4.6	32.0
Sweden	OMX STOCKHOLM 30 INDEX	21.1	-5.1	30.7	-7.0	7.7	9.3	4.8	28.1
Switzerland	SWISS MARKET INDEX	11.9	-0.2	30.2	-7.0	17.9	-3.4	5.5	23.4
Turkey	ISE NATIONAL 100 INDEX	26.0	-10.6	30.3	-17.6	52.8	12.0	10.9	25.4
ASIA-PACIFIC EX JAPAN									
Australia	ALL ORDINARIES INDX	33.0	33.0	25.6	-2.2	14.0	13.2	7.3	28.9
China	CSI 300 INDEX	14.4	1.2	39.2	-23.6	24.3	-9.3	4.7	21.3
Hong Kong	HANG SENG INDEX	5.1	-11.4	13.0	-10.6	41.3	4.3	3.6	23.4
Indonesia	JAKARTA COMPOSITE INDEX	23.2	23.2	4.2	-0.3	22.5	17.5	3.2	24.4
India	BSE SENSEX 30 INDEX	18.4	18.4	15.7	7.2	29.6	3.5	6.4	32.2
Malaysia	FTSE BURSA MALAYSIA KLCI	13.0	-8.0	-2.8	-3.0	13.2	0.1	1.4	17.3
New Zealand	NZX ALL INDEX	27.6	-4.9	31.0	5.9	24.2	10.9	16.1	20.9
Philippines	PSEi - PHILIPPINE SE IDX	19.8	-17.7	6.5	-11.4	27.2	0.2	-2.5	32.1
Taiwan	TAIWAN TAIEX INDEX	23.2	-1.2	28.8	-5.0	19.4	15.5	10.4	20.0
Thailand	STOCK EXCH OF THAI INDEX	27.8	-15.8	4.3	-8.1	17.3	23.9	1.4	27.9
Singapore	STRAITS TIMES INDEX	8.5	8.5	9.4	-6.5	22.0	3.8	-1.1	22.8
South Korea	KOSPI INDEX	22.0	22.0	10.0	-15.4	23.9	5.2	2.9	27.1
JAPAN	NIKKEI 225	17.9	17.9	20.7	-10.3	21.3	2.4	4.1	25.1
MIDDLE EAST/AFRICA									
Eqypt	EGX 30 INDEX	12.1	-21.5	9.5	-11.0	25.4	80.3	8.1	27.8
Israel	TEL AVIV 100 INDEX	6.4	6.4	21.3	-2.3	6.4	-2.5	-1.2	26.3
Morocco	MADEX FREE FLOAT INDEX	10.1	-17.7	11.6	-5.5	9.5	38.1	4.4	20.3
South Africa	FTSE/JSE AFRICA ALL SHR	26.2	26.2	12.1	-8.4	21.0	2.8	4.4	29.3

Data source: Bloomberg

260D Vol = 260-day volatility

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Our judgement or recommendations may differ materially from what may be presented in a long-term investment plan. Investors should consult with an investment advisor to determine the appropriate investment strategy and investment vehicle. Investment decisions should be made based on the investor's specific financial needs and objectives, goals, time horizon and risk tolerance.

Except for the historical information contained in this report, certain matters are forward-looking statements or projections that are dependent upon risks and uncertainties, including but not limited to such factors and considerations such as general market volatility, global economic risk, geopolitical risk, currency risk and other country-specific factors, fiscal and monetary policy, the level of interest rates, security-specific risks, and historical market segment or sector performance relationships as they relate to the business and economic cycle.

Economic and other investment forecasts set forth may not develop as predicted and there can be no guarantee that strategies mentioned will be successful.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not ensure against market risk.

Stock investing involves risk including loss of principle.

The prices of small and mid-cap stocks are generally more volatile than large cap stocks.

Value investments can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time.

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

Precious metal investing involves greater fluctuation and potential for losses.

Investing in Real Estate Investment Trusts (REITs) involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

High yield/junk bonds (grade BB or below) are not investment grade securities and are subject to higher interest rate, credit, and illiquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

Because of its narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

The CBOE Volatility Index® (VIX®) is meant to be forward looking, showing the market's expectation of 30-day volatility in either direction, and is considered by many to be a barometer of investor sentiment and market volatility, commonly referred to as "Investor Fear Gauge"

The MSCI All Country World Index is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world.

The MSCI EAFE Index is a free float –adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia.

The S&P 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing the major sectors of the U.S. economy.

The S&P 500 sector indices measure the performance of the widely-used Global Industry Classification Standard (GICS®) sectors and sub-industries. GICS enables market participants to identify and analyze a customized group of companies using a common global standard. Those sectors are: S&P 500 Consumer Discretionary, S&P 500 Consumer Staples, S&P 500 Energy, S&P 500 Financials, S&P 500 Health Care, S&P 500 Industrials, S&P 500 Materials, S&P 500 Real Estate, S&P 500 Technology, S&P 500 Telecom, and S&P 500 Utilities.

The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-seized U.S. companies.

The Russell 2000 Index is an unmanaged index generally representative of the 2000 smallest companies in the Russell 3000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 3000 Index is comprised of 3000 U.S. companies, as determined by market capitalization. The Index is comprised of stocks within the Russell 1000 (large-cap) and the Russell 2000 (small-cap) indices.

The Russell 3000 Growth Index is an unmanaged index comprise of those Russell 3000 companies with higher price-to-book rations and higher forecasted growth values. The Russell 3000 Value Index measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

The S&P Citigroup International Treasury ex U.S. Index is designed to reflect the performance of bonds issued by non-U.S. developed market countries.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment grade fixed-rate bond market, including both government and corporate bonds.

The Bloomberg Barclays Treasury Bond Index is an index of U.S. dollar denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the index's maturity constraint.

The Bloomberg Barclays Investment Grade Corporate Bond Index measures the investment-grade, fixed-rate, taxable corporate bond market. The index includes U.S. dollar denominated securities publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers.

The Bloomberg Barclays U.S. Corporate High-Yield Bond Index is an unmanaged market value weighted index compose of fixed-rate, publicly-issued, non-investment grade debt.

The Bloomberg Barclays U.S. Mortgage –Backed Securities Index tracks agency mortgage-backed pass-through securities guaranteed by GNMA, FNMA and FHLMC.

The Bloomberg Barclays U.S. Municipal Bond Index is an unmanaged index composed of U.S. dollar-denominated long-term tax-exempt general obligation, revenue, insured, and prerefunded bonds.

The Bloomberg Commodity Index (BCOM) is a broadly diversified commodity price index distributed by Bloomberg Indexes. The constituents of this broad index are also separated and indexed into commodity-specific segment which enables market participants to identify and analyze those individual commodity markets. Those related indices are: The Bloomberg Energy Index, The Bloomberg Industrial Metals Index, The Bloomberg Precious Metals Index, The Bloomberg Grains Index, and the Bloomberg Softs Index.

The Hedge Fund Research HFRX Global Hedge Fund Index is a U.S. dollar denominated benchmark representative of the overall composition of the hedge fund universe. It is comprised of all hedge fund strategies tracked by Hedge Fund Research including but not limited to absolute return, convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. Hedge Fund Research also compiles sub-indices representative of specific hedge fund strategies. Those sub-indices mentioned in this report are: The HFRX Equity Hedge Index, The HFRX Equity Market Neutral Index, The HFRX Macro Index, The HFRX Event Driven Index, The HRFX Merger Arbitrage Index, and The HFRX Absolute Return Index.

The Bloomberg North American REIT Index is a composite representing the Real Estate Investment Trust industry in North America. This broad composite also may be segmented into specific sub-groups of the REIT industry. Those sub-group indices mentioned in this report are: The Bloomberg REIT Apartment Index, The Bloomberg REIT Health Care Index, The Bloomberg REIT Warehouse/Industrial Index, The Bloomberg REIT Mortgage Index, The Bloomberg REIT Office Property Index, and The Bloomberg REIT Retail Index.

Individual country indices mentioned in this report, including the United States, Canada, Japan, the United Kingdom, and those in regions such as Europe, the Asia-Pacific, Latin America, and Middle East/Africa are representative of equity market activity in that specific country.

All indices are unmanaged and may not be invested into directly.

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