Slide 1

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GET TO KNOW OUR TEAM

David Bauer is the Director of Investment Management at Shepherd Financial.

David is looking forward to the influx of Halloween candy in the office. He particularly loves Atomic Fireballs.

Holly Willman is the Director of Creative and Strategic Operations at Shepherd Financial.

Holly is allergic to sugar, but she also loves candy. Her preference is Sour Patch Kids.

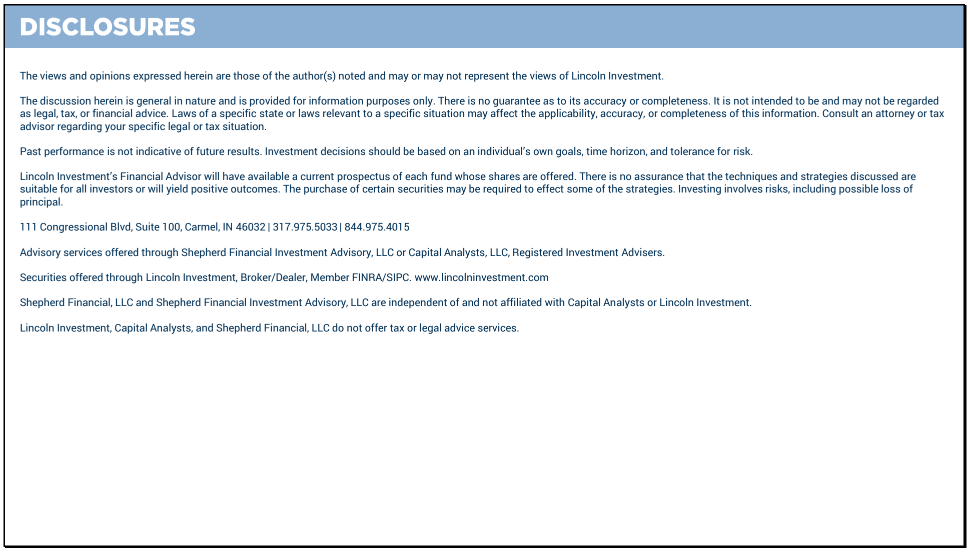
Slide 2

QUARTERLY MARKET REVIEW

October 28, 2021

Shepherd FINANCIAL

Slide 3



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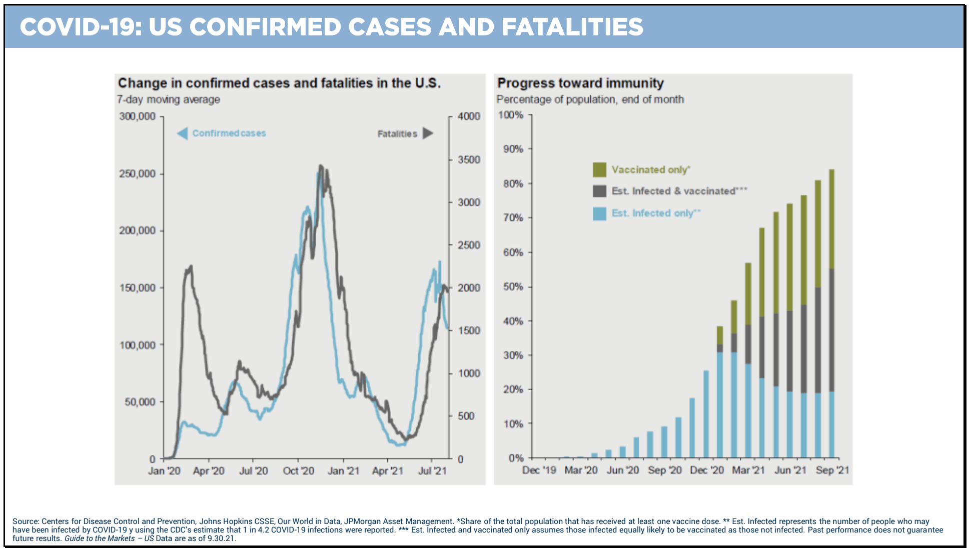

If you look at the left side of this slide, you can see a seven-day moving average of new confirmed cases. The vaccination program made both cases and fatalities fall sharply in the spring. The daily average in June was about 12,000. Businesses started reopening, social distancing restrictions were lifting, and life felt like it might be getting back to some version of normal. Our last quarterly market review had a hopeful tone, but the summer took an interesting turn – the pace of vaccinations slowed, and the much more contagious Delta variant caused a resurgence in the pandemic. Unfortunately, new daily confirmed cases rose to over 150,000 in early September. And with them, fatalities rose, too. By mid-September, we were seeing over 2,000 deaths per day.

But thankfully, both series appear to have peaked. I'm hopeful this trend will continue, given more widespread immunity from vaccinations and prior infections. The right side of the chart illustrates this. Coupling vaccinations with the total number of individuals who have already had the virus, we estimate that roughly 85% of the US population has at least some immunity to COVID-19. That should allow cases and fatalities to fall in the months ahead. It's interesting to note, too, that while the pandemic clearly isn't over yet, many parts of the economy have adapted to operate in some fashion in a pandemic environment. Right – we're hoping the pandemic will fade as we move into 2022, but regardless, it should have much less of an impact on the economy than it has over the last two years.

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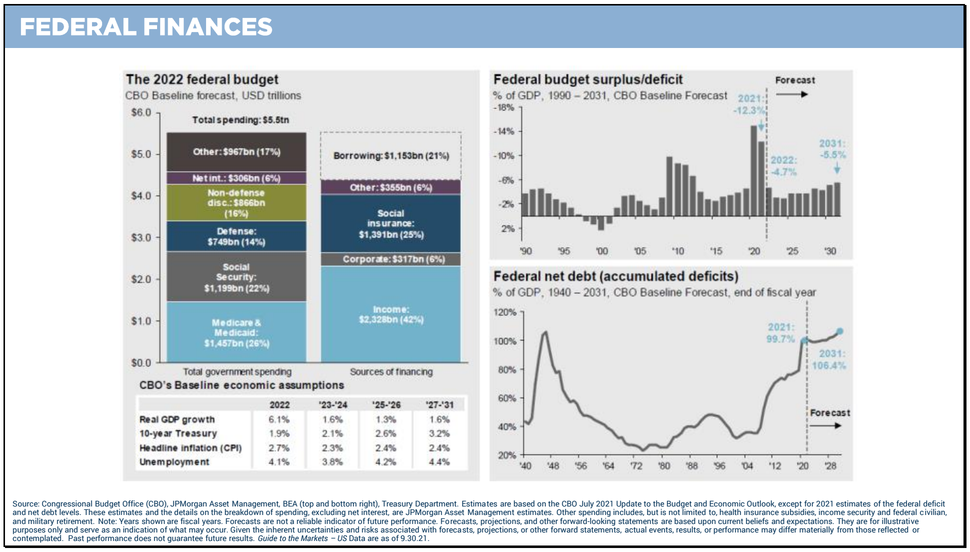

Looking past vaccinations, the unprecedented fiscal stimulus from both the previous administration and current administration has proven to be a pretty powerful accelerator for the economic recovery. The American Rescue Plan, which was signed into law in March, is still pushing $1.9 trillion through the system, which will continue to support the economy through the end of the year into 2022. This slide shows the impact of the recession and this fiscal stimulus on the federal budget. The projections shown for the deficit and the debt as a share of GDP are based on the Congressional Budget Office's July projections. These projections likely underestimate the pace of growth in federal debt, though, because they exclude the potential cost of the additional spending aimed at infrastructure, child care, and education, among other initiatives. They also assume the individual tax cuts from the 2017 Tax Act will expire on schedule in the middle of the decade.

And as shown in the table on the left, the CBO is assuming a continuation of very low long-term interest rates, even in the midst of an economic recovery and huge deficit spending. On the right, you can see the deficit looks like it's falling pretty dramatically in the years ahead. That is the expectation as the pandemic winds down and fiscal support is removed. But remember that negotiations are happening in Washington right now about further spending plans for the years ahead. Of course, because the money is stretched out over a decade and at least partially financed by tax increases, it will provide much less stimulus to the economy than we've seen over the last two years.

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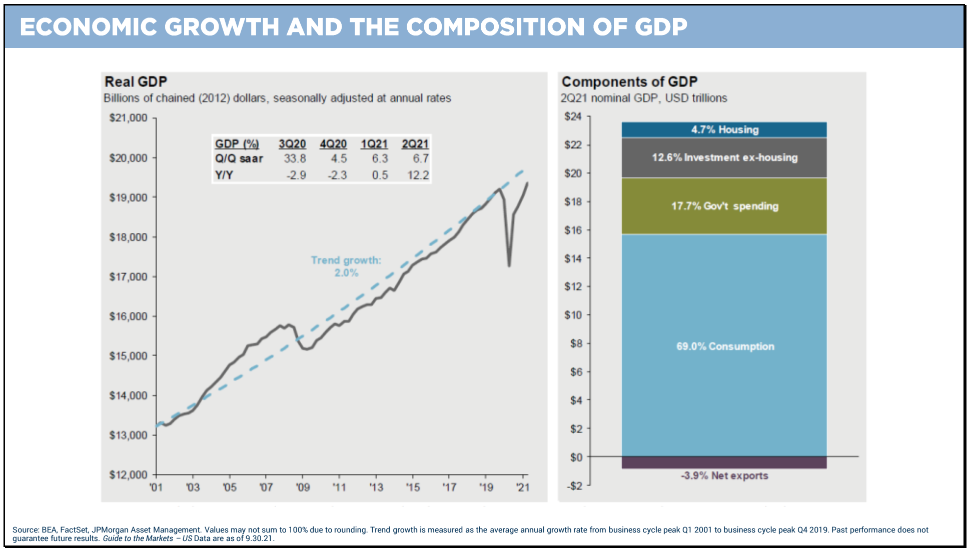

The last economic expansion was the longest in US history, stretching all the way from 2009 to early 2020, at which point it hit the brick wall we call the pandemic. And the recession that followed was the deepest since World War II. Output fell more than 10% in the first half of 2020, but then we saw a rebound, and the economy grew very strongly into this summer. Going into the fourth quarter, real GDP has now recovered to the output levels from the fourth quarter of 2019 and is on track to return to the 20-year trend growth that preceded the pandemic, even with the Delta variant and supply chain shortages slowing the recovery. I would still expect growth to reaccelerate late this year as reopening resumes and companies try to rebuild their inventories. And as we move into 2022, the economy should have experienced a nearly full recovery from the pandemic. The shortage of workers and much less fiscal and monetary stimulus may slow of economic growth to the long-term trend of roughly 2% by the end of next year.

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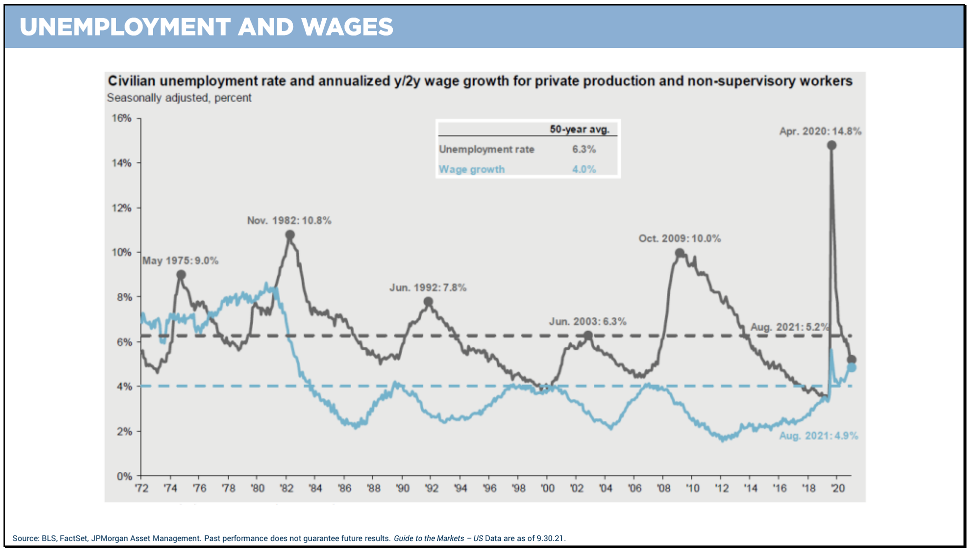

The surge in GDP has been mirrored by a rebound in the labor market as the economy reopens. After losing 22.5 million jobs last year, the economy has recovered 17 million jobs, so about 77% of the total pandemic loss. Of course, the job market recovery is still incomplete, because the unemployment rate is at 5.2%. Pre-pandemic, it was 3.5%. That would maybe suggest slack in the labor market, but wages are telling us something different. The blue line shows the annualized growth in hourly wages over the past two years. Wage growth has definitely been rising – these are annualized rates we haven't seen since the 1980s. Put together with surging labor demand, this suggest the employment shortfall is primarily an issue of labor supply. Labor supply been slower to recover, because it's likely been constrained by enhanced unemployment benefits, lower immigration, higher costs of child care, and lingering pandemic fears.

This will be an issue of concern for the Federal Reserve. Higher wages should feed through to higher inflation, implying the economy could reach maximum employment sooner than in past economic cycles. Overall, while the labor shortage is likely to persist for some time, I'd expect some of these pandemic effects to recede, leading to a drop in unemployment – maybe down to 3.5% by the end of 2023.

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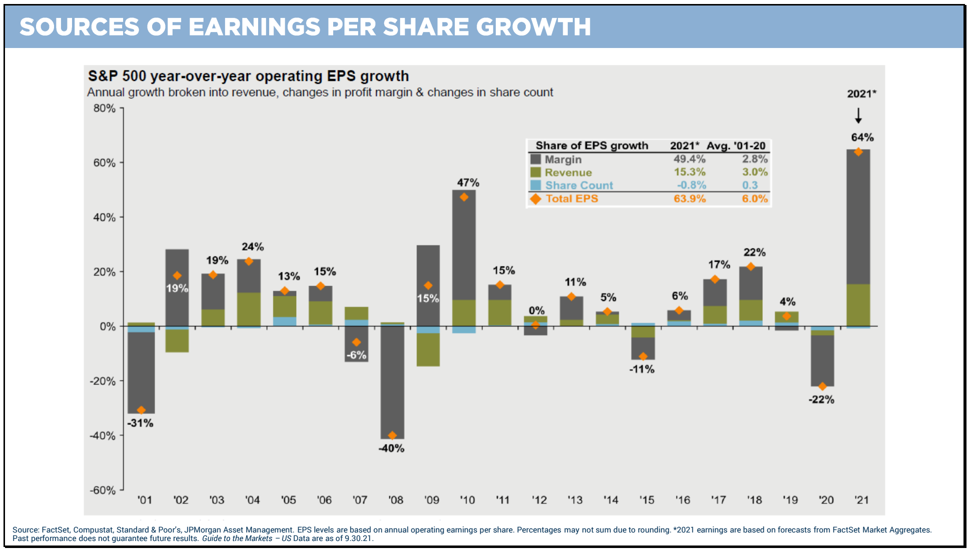

Things are looking good here. While there were big declines in S&P 500 operating earnings in early 2020, earnings have recovered big-time since then. They're likely to hit a new all-time high this year. This partly reflects the fact that some of the most important sectors of the US equity market, including technology, communications services, health care, and consumer staples, saw few negative impacts from the pandemic. Actually, in a lot of cases, they saw stronger revenues. More generally, earnings have been bolstered by powerful consumer demand and higher productivity as businesses have been able to reduce costs in a more virtual environment. I do think it could get harder moving forward. We're headed toward slower economic growth, higher wages, higher interest rates, and potentially higher corporate taxes. Investors should consider valuations very carefully as the potential for further earnings growth looks much more limited.

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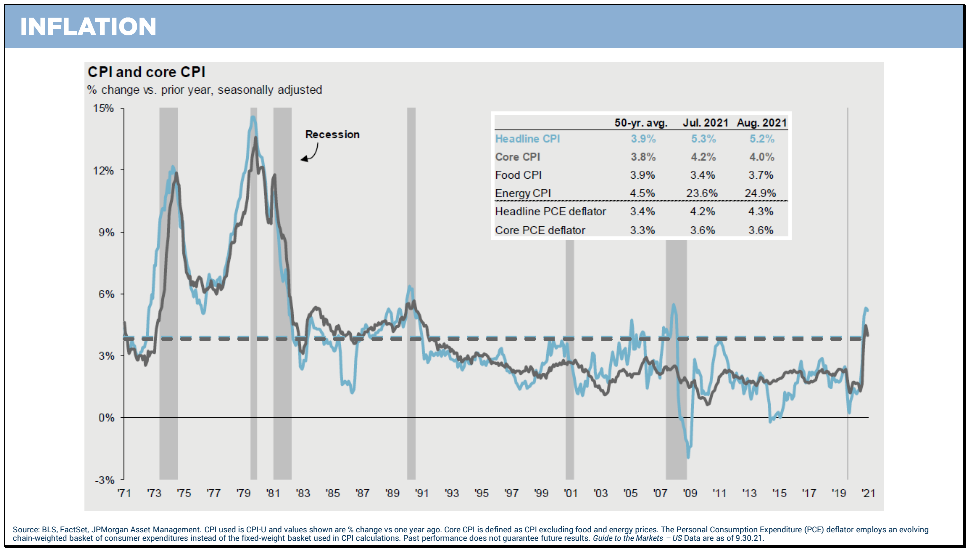
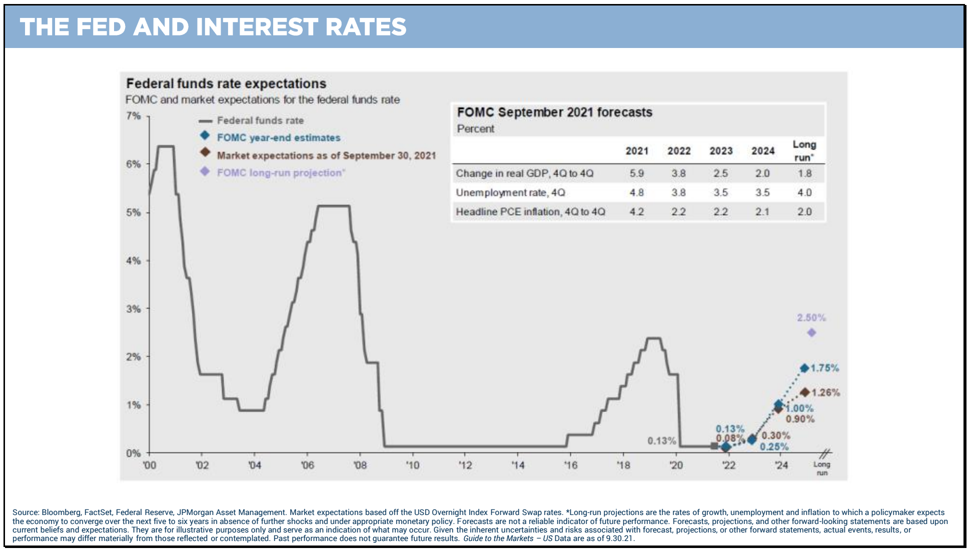


Inflation has heated up significantly from surging consumer demand smashing into supply shortages across major sectors of the economy. CPI inflation has been tracking above 5% year-over-year since the start of the summer. The latest year-over-year gain in CPI is 5.2% overall and 4.0% excluding food and energy. These gains have been amplified by declines in prices a year ago, but supply chain issues have been a problem. In particular, the global semiconductor shortage has increased the prices of a wide range of goods throughout the economy, especially for automobiles. These higher input costs have sent inflation higher, as well as a general recovery in prices of air fares, restaurants, and rents from their pandemic lows.

The PCE deflator, the Fed's preferred measure of inflation, is up more than 4% year-over-year, well above the Fed's long-term target of 2%. The Fed does think this is mostly transitory. As we get into 2022 and 2023, I think some of these issues will linger and the mix of headwinds and tailwinds impacting long-term inflation are shifting to the upside. I think it's likely inflation will remain above 2% for the remainder of this economic expansion.

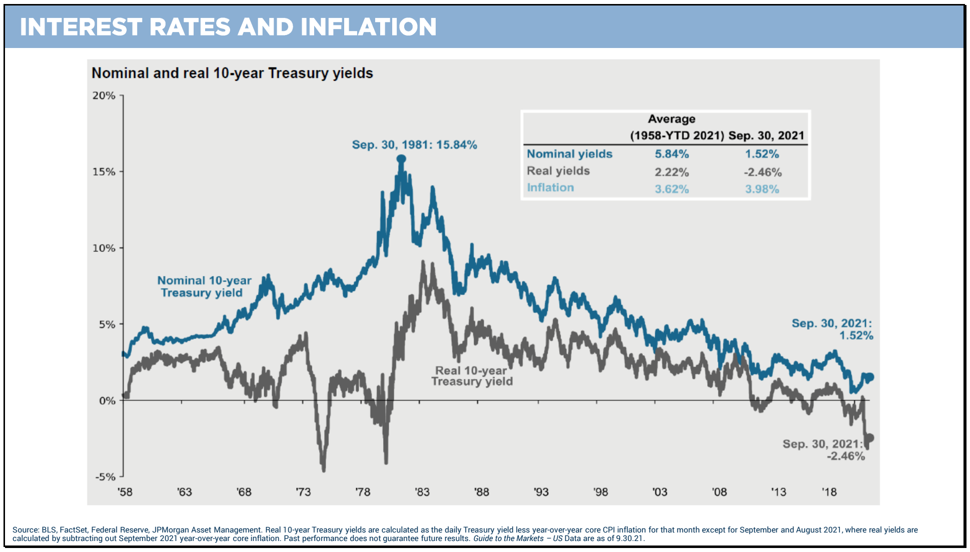
Slide 10



Since the start of the pandemic, the Fed has provided significant monetary stimulus by cutting the federal funds rate to near-zero levels and adding substantially to its balance sheet, with about $120 billion of bond purchases each month. At the Federal Open Market Committee's September meeting, they delivered a slightly hawkish message. They recognize the Delta variant has slowed economic progress but also that the labor market recovery has been very robust. And inflation may be somewhat stickier than they previously assumed. They updated their economic projections. They downgraded the growth estimate for 2021 from 7% to 5.9%. They revised inflation estimates upwards. And they also reduced their expectation about the speed of the labor market recovery. Even so, the Fed remains optimistic and expects growth, inflation, and employment to reaccelerate in 2022. Along with a more optimistic outlook on the economy, the committee has also shifted to a slightly more hawkish stance on monetary policy.

The median dot plot suggests the potential for liftoff by the end of 2022 and three rate hikes in both 2023 and 2024. Pretty significantly, the Fed also gave the first official signal that tapering its bond purchases could soon be warranted, which implies the announcement in November is pretty certain. Looking into 2022, the Committee sees the pace of policy normalization hinging on the speed of labor market recovery, given substantial progress already on its inflation goal. And while the Fed is preparing to take its foot off the monetary accelerator, policy will still remain accommodative for quite some time. That should support equity markets but also help yields to grind higher as economic growth and inflation expectations remain robust.

Slide 11



So what does all this mean for investing? For fixed income investors, the 10-year Treasury yields are very low. Despite consistent upside surprises on measures of wages, home prices, and consumer prices, long-term rates have held steady around 1.3% after backing up to 1.7% earlier this year. Last quarter, we shared the liquidity facilities established by the Fed have tended to compress credit spreads. And low foreign yields, portfolio rebalancing into long-term bond funds, and a temporary lull in the supply of Treasuries all appear to be suppressing long-term interest rates, at least for now. But there continues to be a place in portfolios for fixed income to provide diversification and protection in the case of equity markets or economic relapse. These technical factors suppressing long-term interest rates won't last forever, and fixed income investors may want to focus on shorter duration bonds to be well-positioned for when long-term rates resume their ascent.

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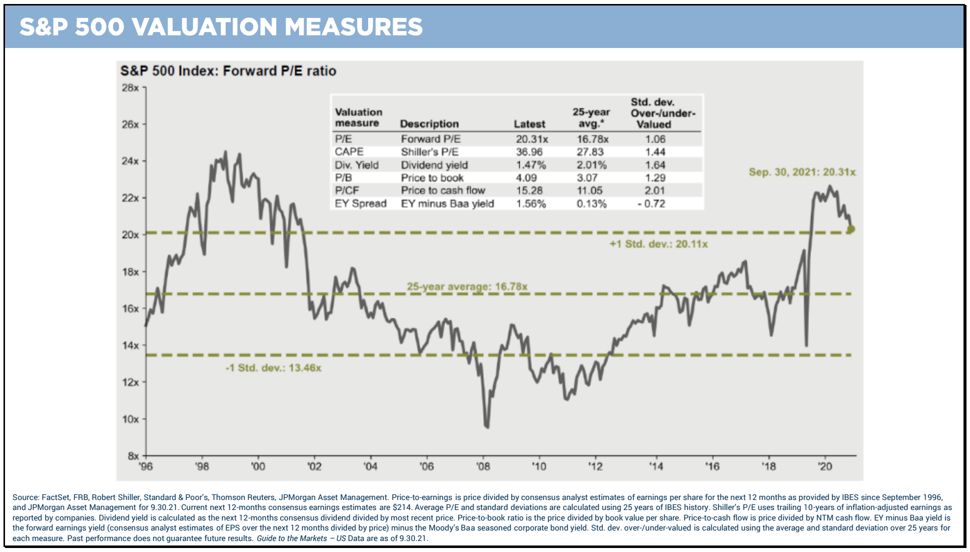

Right now, valuations are very high. Look at this slide – we are showing the P/E ratio over the last 25 years. Stocks are currently selling at 21 times of forward earnings, which is more than one standard deviation above the long-term average for valuations. Stock prices based on current forward P/E ratios look elevated, although they have come in somewhat, reflecting a surge in earnings. Earnings are likely to continue to grow in the remainder of the year, which should lead to further compression of these ratios. The relatively low interest rates likely justify some elevation of valuation measures above their historical averages. However, higher inflation, corporate taxes, and wage pressures will likely put further pressure on equity valuations within the next few years. Investors may want to take a good hard look at valuations and use profits as a guide when positioning equity portfolios for a post-pandemic environment.

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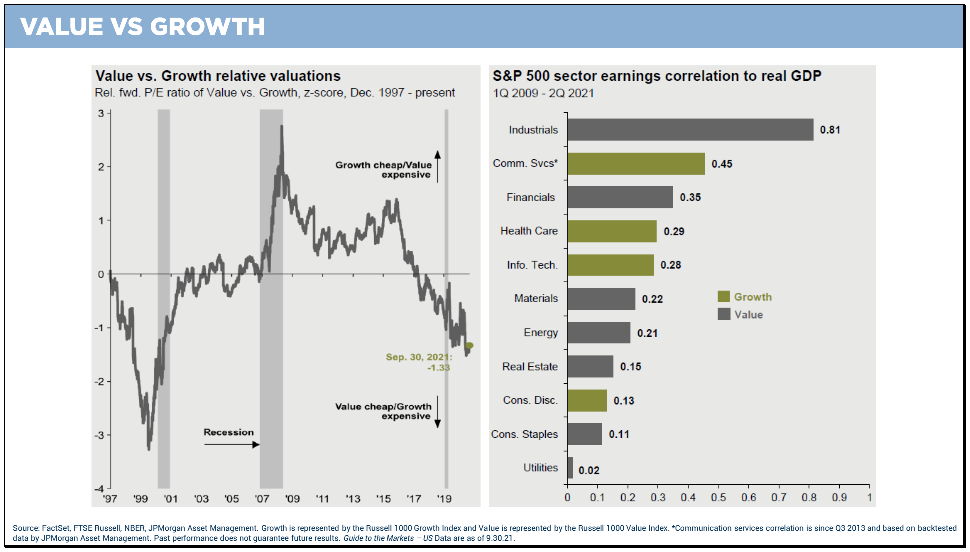

After multiple years of strong outperformance by growth stocks – especially last year – value began to recover at the beginning of this year. However, a combination of declining interest rates, fears about the Delta variant, and disappointing economic data relative to expectations have led growth to outperform for much of the summer.

Take a look at the left side of the slide. Even after a good start to 2021, value appears to remain cheap relative to growth compared to long-term averages. Additionally, as interest rates should rise further, value generally tends to outperform growth during periods of above-trend economic activity and rising interest rates. And that's because value-oriented sectors tend to be more sensitive to the pace of economic growth, which you can see on the right side of the slide.

But investors shouldn't abandon growth stocks altogether. The economy is likely to slow down to a much slower pace of economic growth later in 2022 and 2023. When that happens, growth stocks have traditionally outperformed value stocks in a slow economic growth environment.

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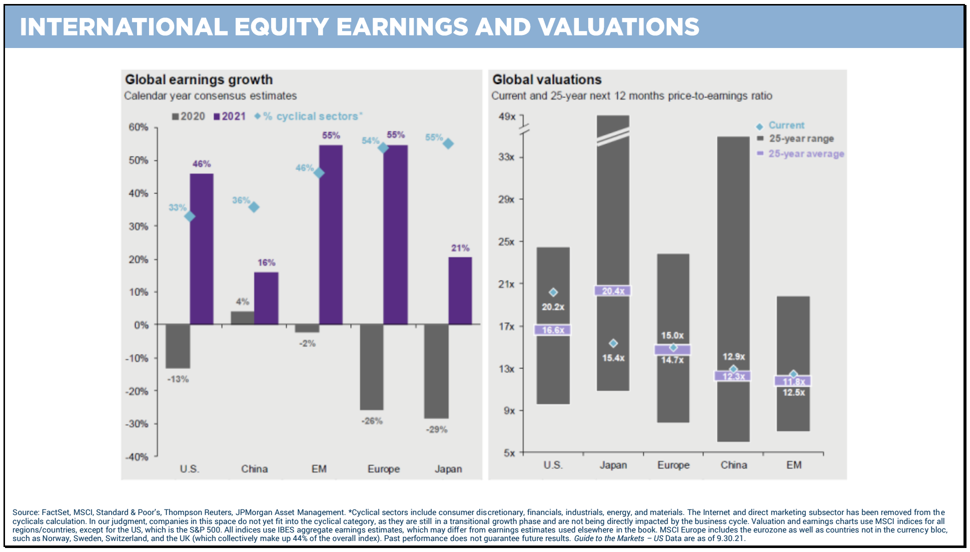

Last quarter, I mentioned investors may also want to increase their holdings of international equities. While the hoped-for synchronized global recovery has been delayed, it hasn't been derailed. The vaccination progress overseas has made significant progress – in fact, many countries now outpace the US. Europe is one of those places, and that's allowed its economy to remain relatively unscathed by the Delta variant. If we look at Asia, varying degrees of vaccination success and zero tolerance approach to COVID have caused growth slowdowns in both China and Japan.

As we look ahead to next year, the pandemic should fade, and we should see a synchronized global growth boom. In addition, valuations remain attractive. Both emerging market and developed country stock outside the US are selling at some of their cheapest levels compared to their US counterparts in the last 20 years. International equities also offer greater sensitivity to the powerful post-pandemic economic rebound, particularly in Europe and Japan, where cyclical sectors make up 53% and 55% of their respective equity markets.

So all that, plus structural growth opportunities and the prospect of a lower dollar in the long run, argue for greater allocation to international equities, with a particular focus on Europe and East Asia.

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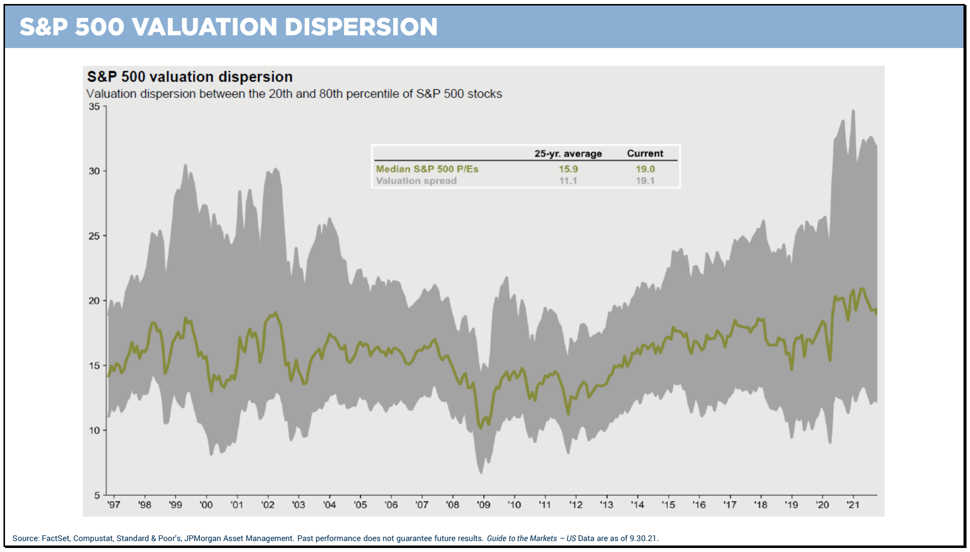

There is a widening valuation gap between the most and least favored stocks in the market. The current S&P 500 valuation spread is markedly higher than the 25-year average, which points to an opportunity for active management. And while we're having a bumpier recovery than expected, I still think we're on strong footing heading into the fourth quarter. And further progress on the pandemic here at home and abroad will continue to be a tailwind for the global economic recovery. Given the substantial growth markets have had thus far in the economic cycle, investors would be wise to focus on fundamentals and maintain a diversified stance as we move forward to next year.

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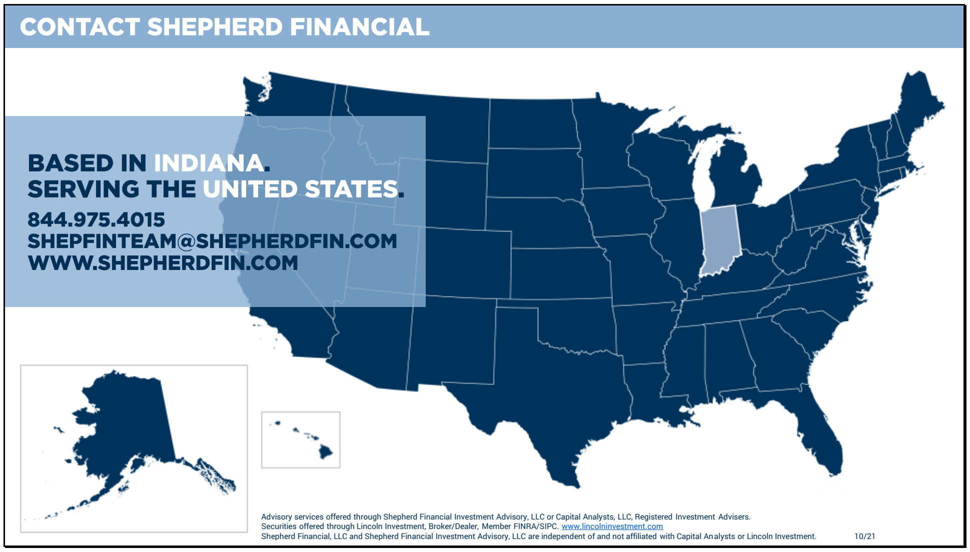
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DEFINITIONS AND DISCLOSURES

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values. There are some risks associated with investing in the stock markets: 1) Systematic risk - also known as market risk, this is the potential for the entire market to decline; 2) Unsystematic risk - the risk that any one stock may go down in value, dependent of the stock market as a whole. This also incorporates business risk and event risk; and 3) Opportunity risk and liquidity risk. International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. An investment concentrated in sectors and industries may involve greater risk and volatility than a more diversified investment. Small and mid-cap stocks may be subject to a higher degree of risk than larger, more established companies' securities, including higher risk of failure and higher volatility. The illiquidity of the small and mid-cap markets may adversely affect the value of these investments so those shares, when redeemed, may be worth more or less than their original cost. In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities).

Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. 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. However, the value of fund shares is not guaranteed and will fluctuate. Treasury bills (T-bills) are short-term securities with maturities of one year or less issued at a discount from face value. Treasury bills are the primary instrument used by the Federal Reserve in its regulation of money supply through open market operations. Treasury notes (T-notes) are intermediate securities with maturities of 1 to 10 years. Denominations range from $1000 to $1 million or more. The notes are sold by cash subscriptions, in exchange for outstanding or maturing government issues, or at auction. Treasury bonds (T-bonds) are long-term debt instruments with maturities of ten years or longer issued in minimum denominations of $1,000. Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

Prior to rolling over assets from an employer-sponsored retirement plan into an IRA, it's important that you understand your options and do a full comparison on the differences in the guarantees and protections offered by each respective type of account as well as the differences in liquidity loans, types of investments, fees, and any potential penalties. A variable annuity is an insurance contract which offers three basic features not commonly found in mutual funds: (1) annuity payout options that can provide guaranteed income for life; (2) a death benefits; and (3) tax-deferred treatment of earnings. When applicable, the tax deferred accrual feature is already provided by the tax-qualified retirement plan (e.g. 403(b), IRA, etc.) The U.S. Securities and Exchange Commission (Investor Tips: Variable Annuities) has suggested that for most investors, it would be advantageous to make the maximum allowable contribution to a tax-qualified retirement plan before investing in a variable annuity. The separate account of a variable annuity is not a mutual fund. While separate accounts may have a name similar to a mutual fund, it is not the same pool of funds and will experience difference performance than the mutual fund of the same or similar name. In addition, the financial ratings of the issuing insurance company do not apply to any non-guaranteed separate accounts. The value of the separate accounts that are not guaranteed will fluctuate in response to market changes and other factors. Variable annuities are designed to be long-term investments and early withdrawals may be subject to tax penalties and charges. None of the information in this document should be considered as tax advice. You should consult your tax advisor for information concerning your individual situation.

Treasury inflation protected securities (TIPS) refer to a treasury security that is indexed to inflation in order to protect investors from the negative effects of inflation. TIPS are considered an extremely low-risk investment since they are backed by the U.S. government and because the par value rises with inflation, as measured by the consumer price index (see below), while the interest rate remains fixed.

Growth investments focus on stocks of companies whose earnings/profitability are accelerating in the short-term or have grown consistently over the long-term. Such investments may provide minimal dividends which could otherwise cushion stock prices in a market decline. Stock value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments. Value investments focus on stocks on income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that their intrinsic values may never be realized by the market, or such stock may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

The consumer price index (CPI) measures price of a fixed basket of goods bought by a typical consumer, widely used as a cost-of-living benchmark, and uses January 1982 as the base year. Core CPI is the consumer price index (CPI) excluding energy and food prices.

The purchasing managers' index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting.

Consult your financial professional before making any investment decision.

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DEFINITIONS AND DISCLOSURES

A commodity is a basic good used in commerce that is interchangeable with other commodities of the same type. Commodities are most often used as inputs in the production of other goods or services. The quality of a given commodity may differ slightly, but it is essentially uniform across producers. When they are traded on an exchange, commodities must also meet specified minimum standards, also known as a basis grade.

A mortgage-backed security (MBS is a type of asset-backed security that is secured by a mortgage, or more commonly, a collection("pool") of sometimes hundreds of mortgages.

The U.S. Treasury yield is the return on investment, expressed as a percentage, on the U.S. government's debt obligations (bonds, notes, and bills). The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

The information shown does not constitute investment advice and does not consider the investment objectives, risk tolerance or financial circumstances of any specific investor. Data obtained from the sources cited is believed to be reliable and accurate at the time of compilation. Asset allocation and diversification do not ensure a profit or protect against loss. There is no assurance that any investment process will consistently lead to successful results. There are risks associated with investing, including the risk of loss of principal.
The information provided is not intended to be a complete analysis of every material fact respecting any portfolio, security, or strategy and has been presented for educational purposes only.

Specific Risk Considerations

Fixed income investing involves interest rate risk. When interest rates rise, bond prices generally fall. Stock investments are subject to market risk, which means that the value of the securities may go up or down in response to the prospects of individual companies, particular sectors and/or general economic conditions. Investments in real estate companies, including REITs or similar structures are subject to volatility and additional risk, including loss in value due to poor management, lowered credit ratings and other factors. Below investment grade (high yield) bonds are more at risk of default and are subject to liquidity risk.

AllianceBernstein, L.P. and JP Morgan Investment Management are separate entities and not legally affiliated with Lincoln Investment or Capital Analysts.

Benchmark Definitions

All indexes are unmanaged; it is not possible to invest directly in an index.

30-Day U.S. Treasury Bill Index: is an index based upon the average monthly yield of 30-Day Treasury Bills. Treasury Bills are secured by the full faith and credit of the U.S. Government and offer a fixed rate of return.

Barclays Aggregate Bond Index: is an index compromised of approximately 6,000 publicly traded bonds including U.S. government, mortgage-backed, corporate and Yankee bonds with an average maturity of approximately 10 years. This index is weighed by the market value of the bonds included in the index. This index represents asset types which are subject to risk, including the loss of principal.

Barclays Capital US Government Inflation-Linked Bond Index (US TIPS): measures the performance of the TIPS market. TIPS form the largest component of the Barclays Capital Global Inflation-Linked Bond Index.

Barclays Global High Yield Index: is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US HIGH Yield, the Pan-European High Yield, and Emerging Markets Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive. Until January 1, 2011, the index also included CMBS high yield securities.

Barclays Inflation Linked US TIPS: measures the performance of the US Treasury Inflation Protected Securities ("TIPS") market. The index includes TIPS with one or more years remaining maturity with total outstanding issue size of $500m or more.

Barclays Long High Yield Corporate Bond Index: measures the longer duration component of the USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.

Barclays US Govt/Credit 1-3 Yr: measures the performance of short-term government bonds issued by the US Treasury. Bonds must be fixed rate coupon and bullet maturity. They should be denominated in USD and pay coupon and principal in USD. Zero coupon bonds, inflation-Linked bonds and callable bonds are excluded.

Barclays US Govt Interm Index: measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

Barclays US Interm Credit Index: measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year and less than ten years.

BofA ML US HY Master II: BofA Merrill Lynch US High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of $100 million.

BofA ML US Treasury Bill 3 Month: Is a subset of The Bank of America Merrill Lynch 0-1 Year US Treasury Index including all securities with a remaining term to final maturity less than 3 months.

Bloomberg Barclays 1-3 Month US Treasury Bill Index: includes all publicly issues zero-coupon US Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value. In addition, the securities must be denominated in US dollars and must be fixed rate and non convertible.

(Benchmark Definitions continued on the next page.)

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DEFINITIONS AND DISCLOSURES

Bloomberg Barclays Global Aggregate Corporate Bond Index: tracks the performance of investment-grade corporate bonds publicly issued in the global market and found in the Global Aggregate.

Bloomberg Barclays Global Treasury: Euro Bond Index: includes fixed-rate, local-currency sovereign debt that makes up the Euro Area Treasury sector of the Global Aggregate Index.

Bloomberg Barclays Global Treasury: Japan Bond Index: includes fixed-rate, local-currency sovereign debt that makes up the Japanese Treasury sector of the Global Aggregate Index.

Bloomberg Barclays Municipal Bond Index: a rules-based, market value-weighted index engineered for the long-term tax-exempt bond market.

Bloomberg Barclays US Corporate High-Yield Bond Index: represents the corporate component of the Bloomberg Barclays US High Yield Index.

Bloomberg Barclays US Treasury Index: includes fixed-rate, local-currency sovereign debt that makes up the US Treasury sector of the Global Aggregate Index.

Bloomberg Commodity Index: measures the performance of the commodities market. It consists of exchange-traded futures contracts on physical commodities that are weighted to account for the economic significance and market liquidity of each commodity.

Chicago Board Options Exchange (CBOE) Volatility Index (VIX): shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk.

Citi 1-3 Year Treasury Index: computes returns for the current or most recently issued 1-year, 2-year, and 3-year U.S. Treasury bills that have been in existence for the entire month.

Citi Non-US World Government Bond Index: is a benchmark index that includes institutionally traded bonds other than U.S. issues that have a fixed rate and a remaining maturity of one year or longer.

Goldman Sachs Commodity Index: is a world-production weighted total return index, including reinvested dividends, measuring investor returns from a fully-collateralized commodity futures investment. Due to market fluctuation, the commodities represented by this index may experience loss of invested principal and are subject to investment risk.

JPMorgan Emerging Market Bond Index Global: a benchmark index for measuring the total return performance of government bonds issued by emerging-market countries that are considered sovereign (issued in something other than local currency) and that meet specific liquidity and structural requirements. In order to qualify for index membership, the debt must be more than one year to maturity, have more than $500 million outstanding, and meet stringent trading guidelines to ensure that pricing inefficiencies do not affect the index.

Merrill Lynch High Yield Bond Index: is an index consisting of all domestic and Yankee high-yield bonds with a minimum outstanding amount of $100 million and maturing over 1 year. The quality range is less than BBB-/Baa3 but not in default (DDD1 or less). Split rated issues (investment grade by one rating agency and high-yield by another) are included in this index based on the bond's corresponding composite rating. This index represents asset types which are subject to risk, including the loss of principal.

MSCI ACWI (All Country World Index): is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

MSCI EAFE Index: is the Morgan Stanley Capital International Europe, Australia, Far East index, a total return index, reported in U.S. dollars, based on share prices and reinvested gross dividends of approximately 1,100 companies (only those securities deemed sufficiently liquid for trading by investors) from twenty countries. The securities represented in this index may experience loss of invested principal and are subject to investment risk. In exchange for greater growth potential, investments in foreign securities can have added risks. These include changes in currency rates, economic and monetary policy, differences in auditing standards and risks related to political and economic developments.

MSCI Emerging Markets Index: is a U.S. dollar denominated index comprised of stocks of countries with below average per capita GDP as defined by the World Bank, foreign ownership restrictions, a lax regulatory environment, and greater perceived market risk than in the developed countries. Within this index, MSCI aims to capture an aggregate of 60% of local market capitalization. Prior to 1988, the data represents the IFC Global Emerging Markets index. The securities represented by this index involve investment risks which may include the loss of principal invested.

MSCI World Index ex US: is a free float-adjusted market capitalization weight index that is designed to measure the equity market performance of 22 of 23 Developed Markets countries (excluding the United States). The Index consists of the fo9llowing 23 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

NAREIT Equity REIT Index: is comprised of real estate investment trusts which own or have an equity interest in rental real estate (rather than making loans secured by real estate collateral). REITs involve risk, including the loss of principal and the possible lack of liquidity.

Russell 1000 Index: measures the performance of the 1000 largest companies in the Russell 3000 index, which represent 92% of the total market capitalization of the Russell 3000 index. The stocks represented by this index involve investment risk which may include the loss of principal invested.

Russell 1000 Growth Index: measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. These stocks are selected from the 1,000 largest companies in the Russell 3000 index, which represent 92% of the total market capitalization of the Russell 3000 index. The stocks represented by this index involve investment risks which may include the loss of principal invested.

(Benchmark Definitions continued on the next page.)

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DEFINITIONS AND DISCLOSURES

Russell 1000 Value Index: measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. These stocks are selected from the 1,000 largest companies in the Russell 3000 index, which represent 92% of the total market capitalization of the Russell 3000 index. The stocks represented by this index involve investment risks which may include the loss of principal invested.

Russell 2000 Index: measures the performance of the 2000 smallest companies in the Russell 3000 index, which represent 8% of the total market capitalization of the Russell 3000 index. The stocks represented by this index involve investment risk which may include the loss of principal invested.

Russell 2000 Growth Index: measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. These stocks are selected from the 2,000 smallest companies in the Russell 3000 index, which represent about 8% of the total market capitalization of the Russell 3000 index. The stocks represented by this index involve investment risks which may include the loss of principal invested.

Russell 2000 Value Index: measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. These stocks are selected from the 2,000 smallest companies in the Russell 3000 index, which represent about 8% of the total market capitalization of the Russell 3000 index. The stocks represented by this index involve investment risks which may include the loss of principal invested.

Russell 3000 Growth Index: measures the performance of the broad growth segment of the US equity market. It includes those Russell 3000 Index companies with high price-to-book ratios and higher forecasted growth rates.

Russell 3000 Value Index: measures the performance of the small to mid-cap value segment of the US equity market. It includes those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth rates.

S&P 500 Index: is an index of the largest exchange-traded stocks in the US from a broad range of industries whose collective performance mirrors the overall stock market. Investors cannot invest directly in an index.

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DEFINITIONS AND DISCLOSURES

The Federal Reserve System (also known as the Federal Reserve, and informally as the Fed) is the central banking system of the United States. The Federal Reserve System is composed of 12 regional Reserve banks which supervise state member banks. The Federal Reserve System controls the Federal Funds Rate (aka Fed Rate), an important benchmark in financial markets used to influence the supply of money in the U.S. economy.

Inflation is the rise in the prices of goods and services, as happens when spending increases relative to the supply of goods on the market. Moderate inflation is a common result of economic growth. Hyperinflation, with prices rising at 100% a year or more, causes people to lose confidence in the currency and put their assets in hard assets like real estate or gold, which usually retain their value in inflationary times.

Deflation is the decline in the prices of goods and services. Generally, the economic effects of deflation are the opposite of those produced by inflation, with two notable exceptions: 1) prices that increase with inflation do not necessarily decrease with deflation; 2) while inflation may or may not stimulate output and employment, marked deflation has always affected both negatively. A recession is a significant decline in activity across the economy, lasting longer than a few months. It is visible in industrial production, employment, real income, and wholesale-retail trade. The technical indicator of a recession is two consecutive quarters of negative economic growth as measured by a country's gross domestic product (GDP), although the National Bureau of Economic Research (NBER) does necessarily need to see this occur to call a recession.

The Federal Open Market Committee (FOMC), a committee within the Federal Reserve System is charged under United States law with overseeing the nation's open market operations (i.e., the Fed's buying and selling of United States Treasury securities).

S&P 500 Dividend Aristocrats measure the performance S&P 500 companies that have increased dividends every year for the last 25 consecutive years. The Index treats each constituent as a distinct investment opportunity without regard to its size by equally weighting each company.

The Alerian MLP Index is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs) that provides an unbiased, comprehensive benchmark for this asset class.

The U.S. Treasury yield is the return on investment, expressed as a percentage, on the U.S. government's debt obligations (bonds, notes, and bills). The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

A yield curve is a curve on a graph in which the yield of fixed-interest securities is plotted against the length of time they have to run to maturity. An inverted yield curve is an interest rate environment in which long-term debt instruments have a lower yield than short-term debt instruments of the same credit quality.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability.

Price/Earnings (P/E) ratio is the price of a stock divided by its earnings per share that gives investors an idea of how much they are paying for a company's earning power. High P/E stocks are typically young, fast-growing companies and are far riskier to trade than low P/E stocks.

Price to forward earnings is a measure for the price-to-earning ratio (P/E) using forecasted earnings. Price to book value compares a stock's market value to its book value. Price to cash flow is a measure of the market's expectations of a firm's future financial health. Price to dividends is the ratio of the price of a share on a stock exchange to the dividends per share paid in the previous year, used as a measure of a company's potential as an investment.

Small cap stocks may be subject to a higher degree of risk than larger, more established companies' securities, including higher risk of failure and higher volatility. The illiquidity of the small-cap market may adversely affect the value of these investments so those shares, when redeemed, may be worth more or less than their original cost.

Large Cap refers to companies with a market capitalization value of more than $10 billion. Large cap is an abbreviation of the term "large market capitalization." Market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share.

Emerging markets are sought by investors for the prospect of high returns, as they often experience faster economic growth as measured by GDP. Investments in emerging markets come with much greater risk due to political instability, domestic infrastructure problems, currency volatility and limited equity opportunities (many large companies may still be "state-run" or private). Also, local stock exchanges may not offer liquid markets for outside investors.

The unemployment rate percentage of total workforce who are unemployed and are looking for a paid job. Unemployment rate is one of the most closely watched statistics because a rising rate is seen as a sign of a weakening economy that may call for cut in interest rates. A falling rate, similarly, indicates a growing economy, which is usually accompanied by higher inflation rate and may call for increase in interest rates.