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GET TO KNOW OUR TEAM



David Bauer is the Director of Investment Management at Shepherd Financial. He's been with our team since 2015 and has over 20 years of experience in the financial services industry.

David loves to drink sweet tea with lemon and mint.

Holly Willman is the Director of Creative and Strategic Operations at Shepherd Financial. She's been with our team since 2013, utilizing a variety of skills in different roles.

Holly is delighted to be watching her former Badgers favorite, Jonathan Taylor, in a Colts uniform this year.



QUARTERLY MARKET REVIEW

October 22, 2020

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Past performance is not indicative of future results. Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.

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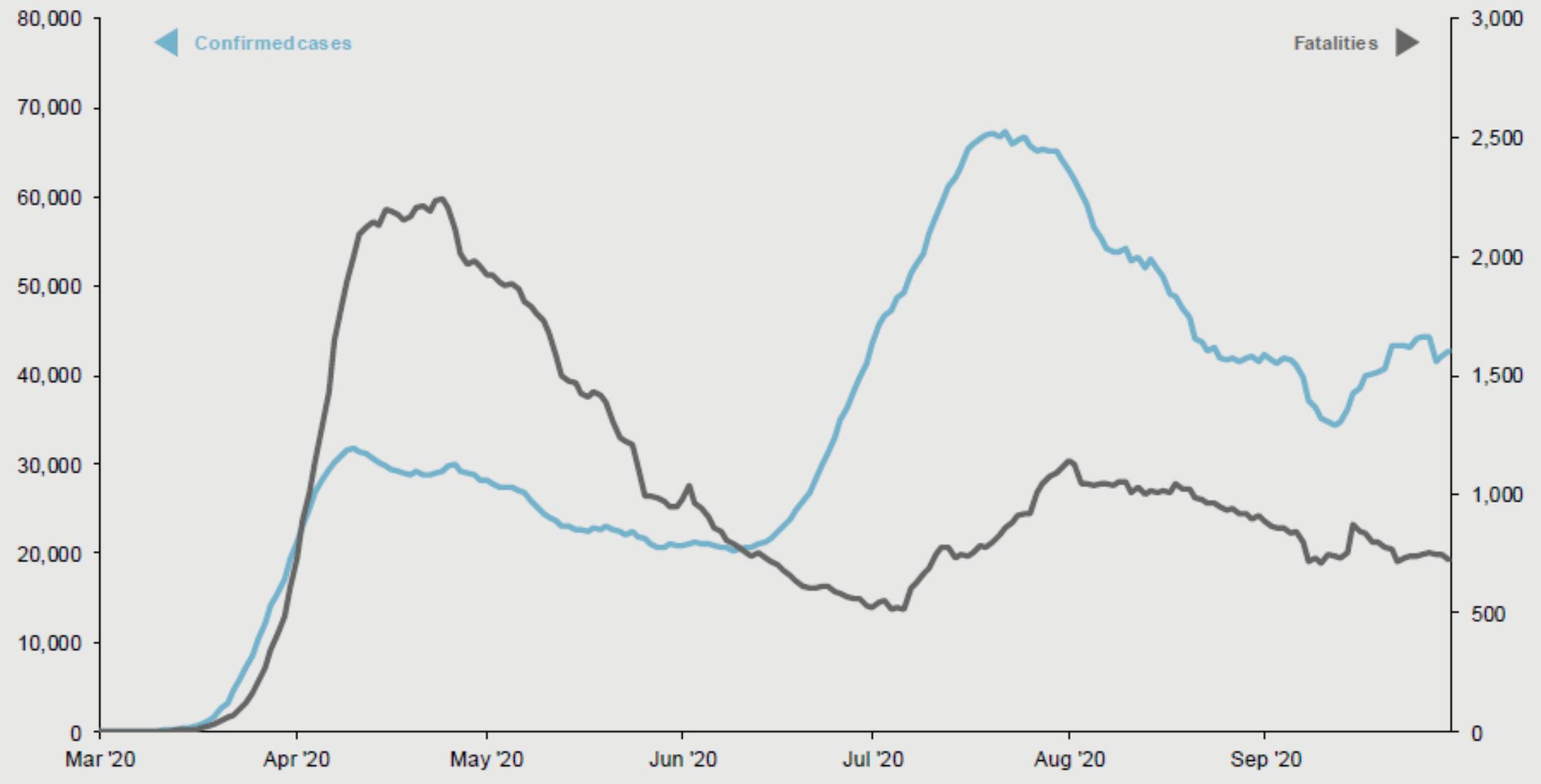
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COVID-19: US CONFIRMED CASES AND FATALITIES

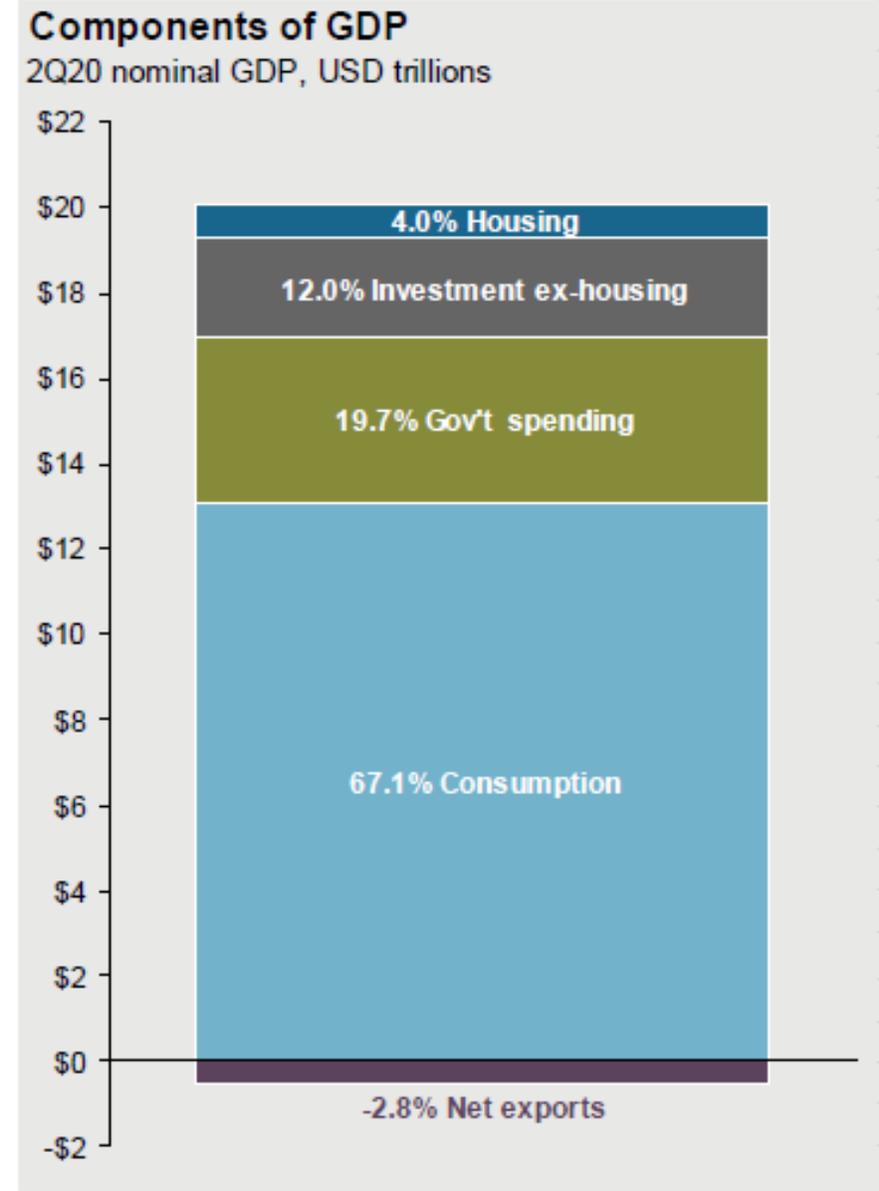
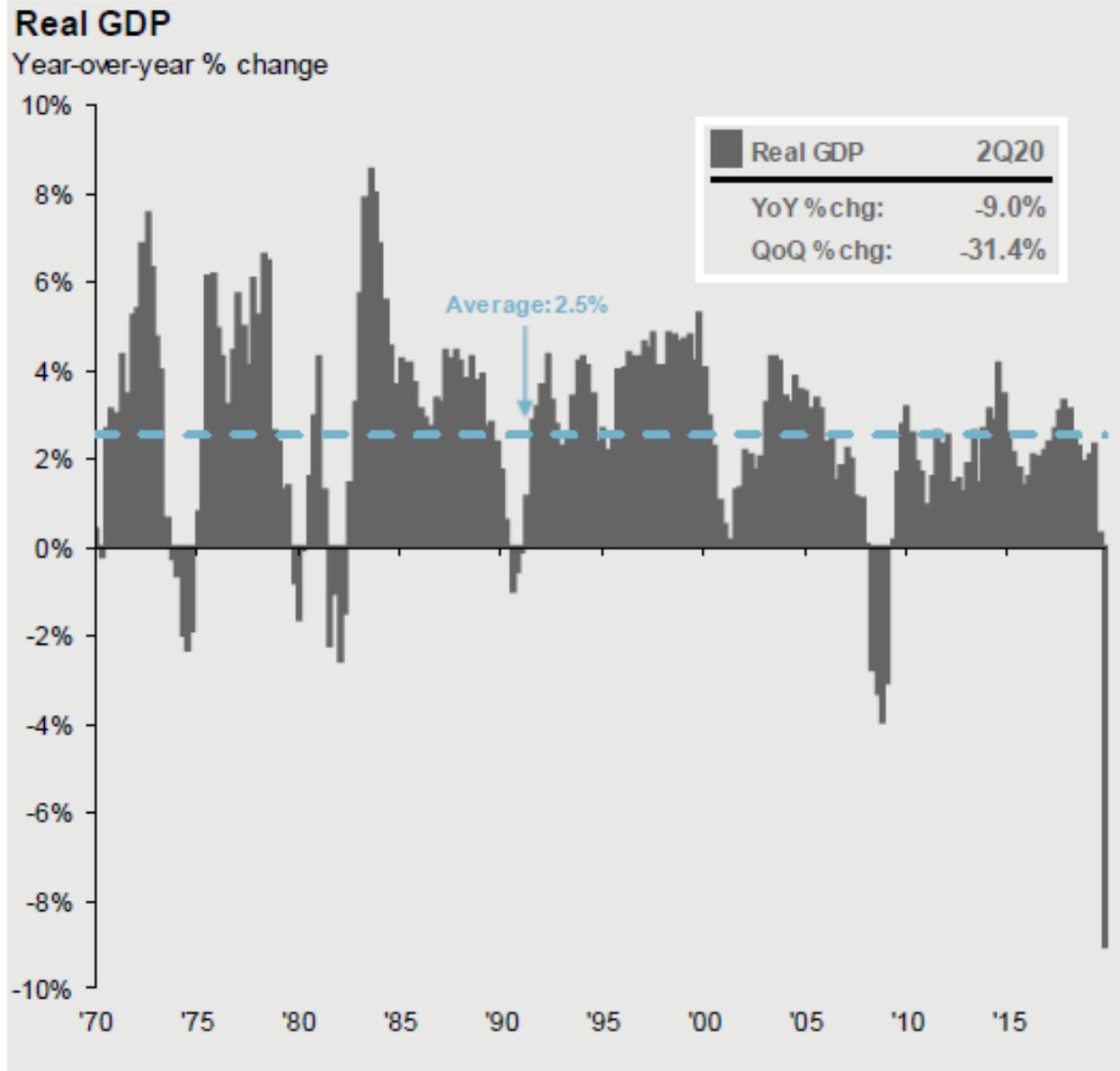
Change in confirmed cases and fatalities in the U.S.

7-day moving average, as of September 30, 2020

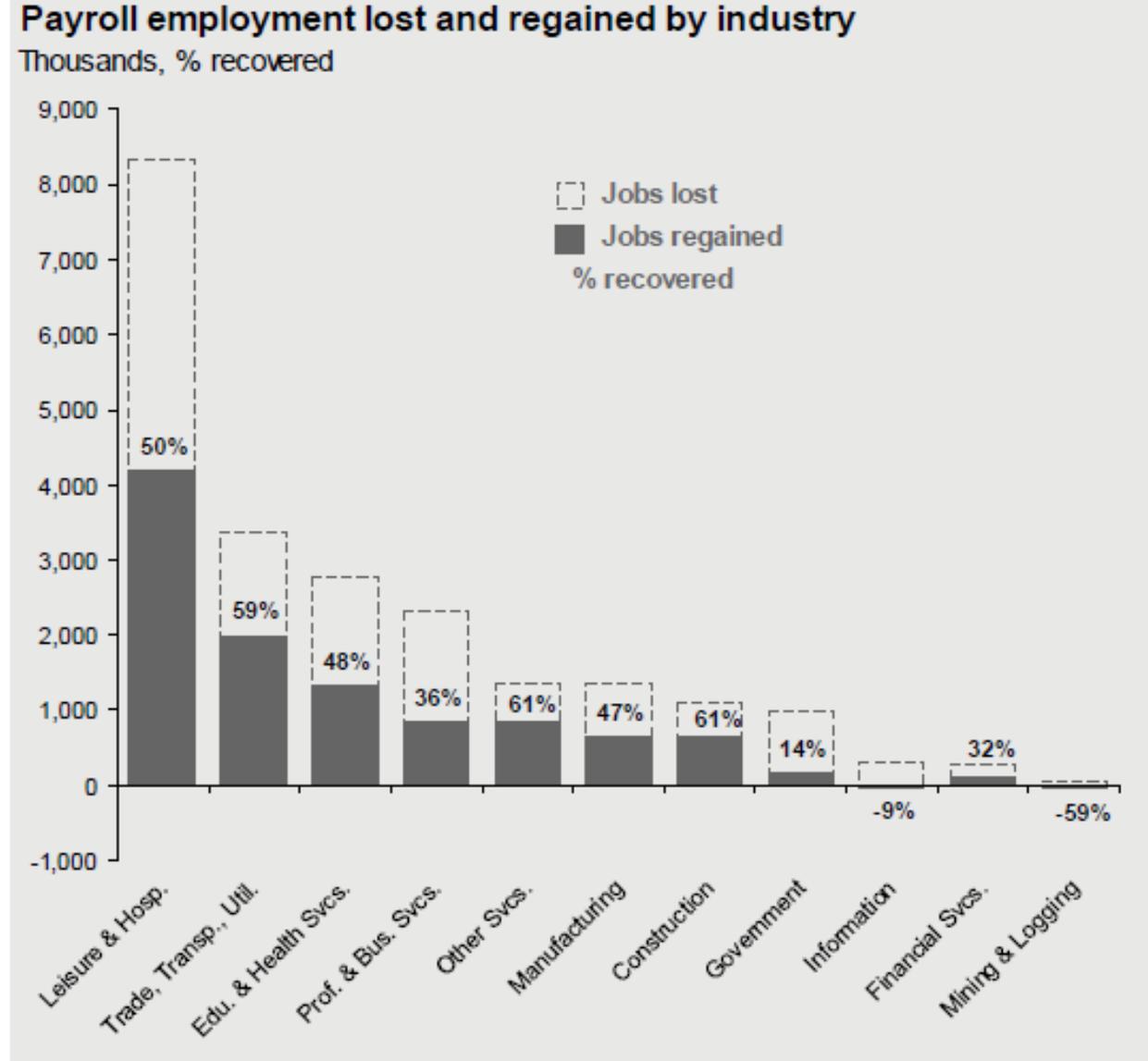
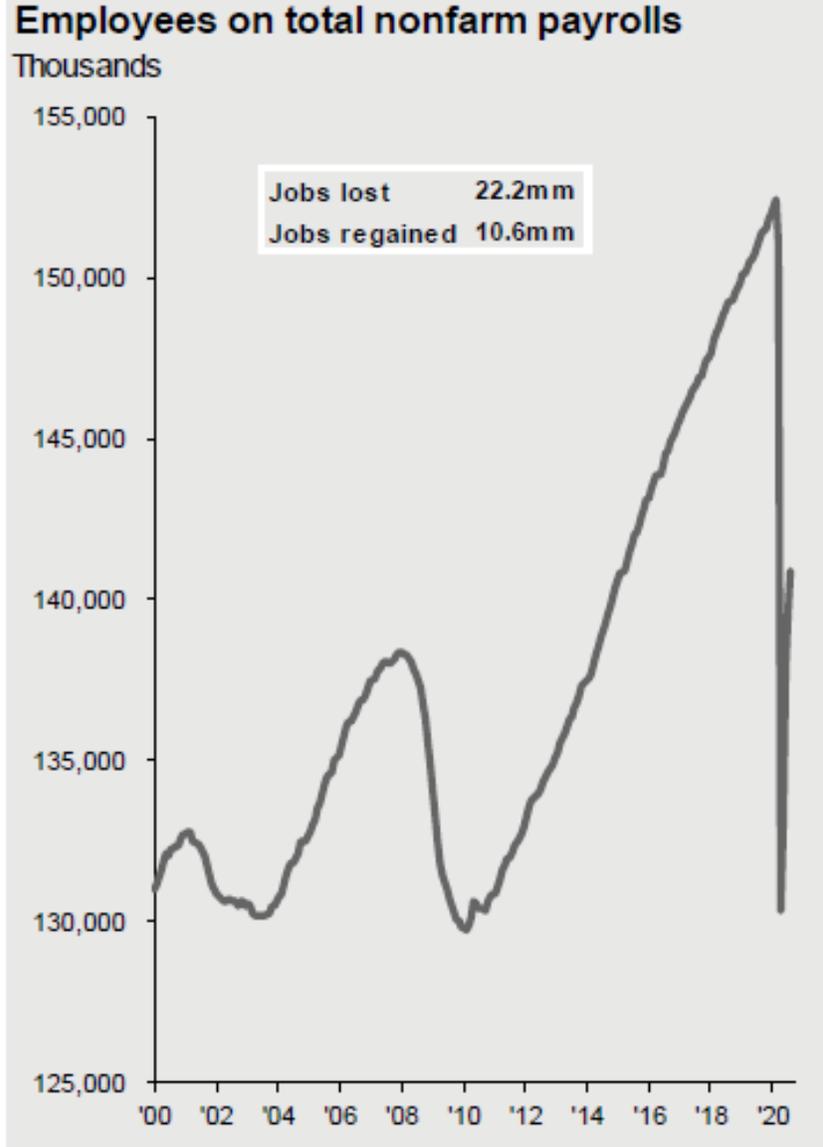


Source: Johns Hopkins CSSE, JPMorgan Asset Management. *Guide to the Markets* – US Data are as of 9.30.20.

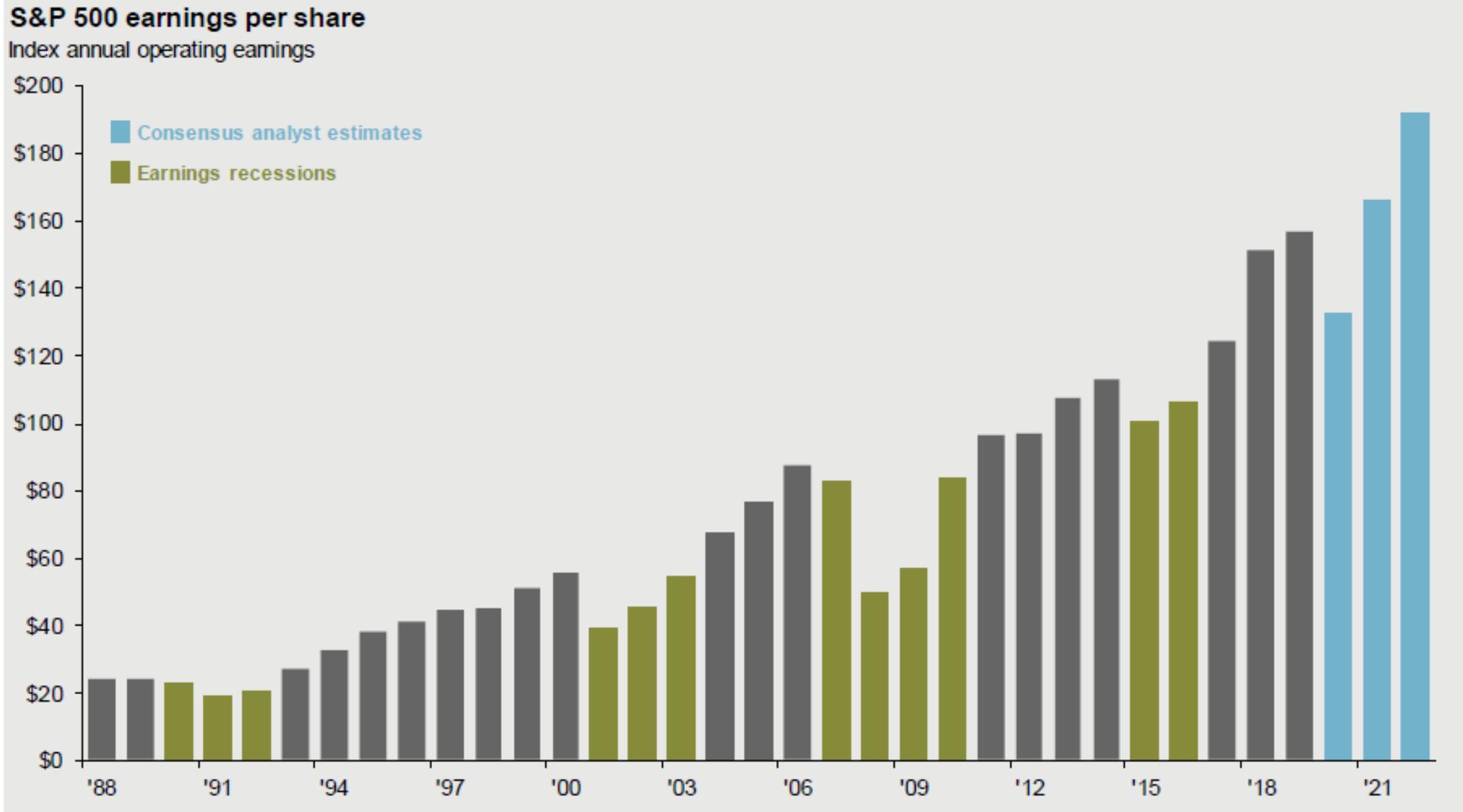
ECONOMIC GROWTH AND THE COMPOSITION OF GDP



PAYROLL EMPLOYMENT



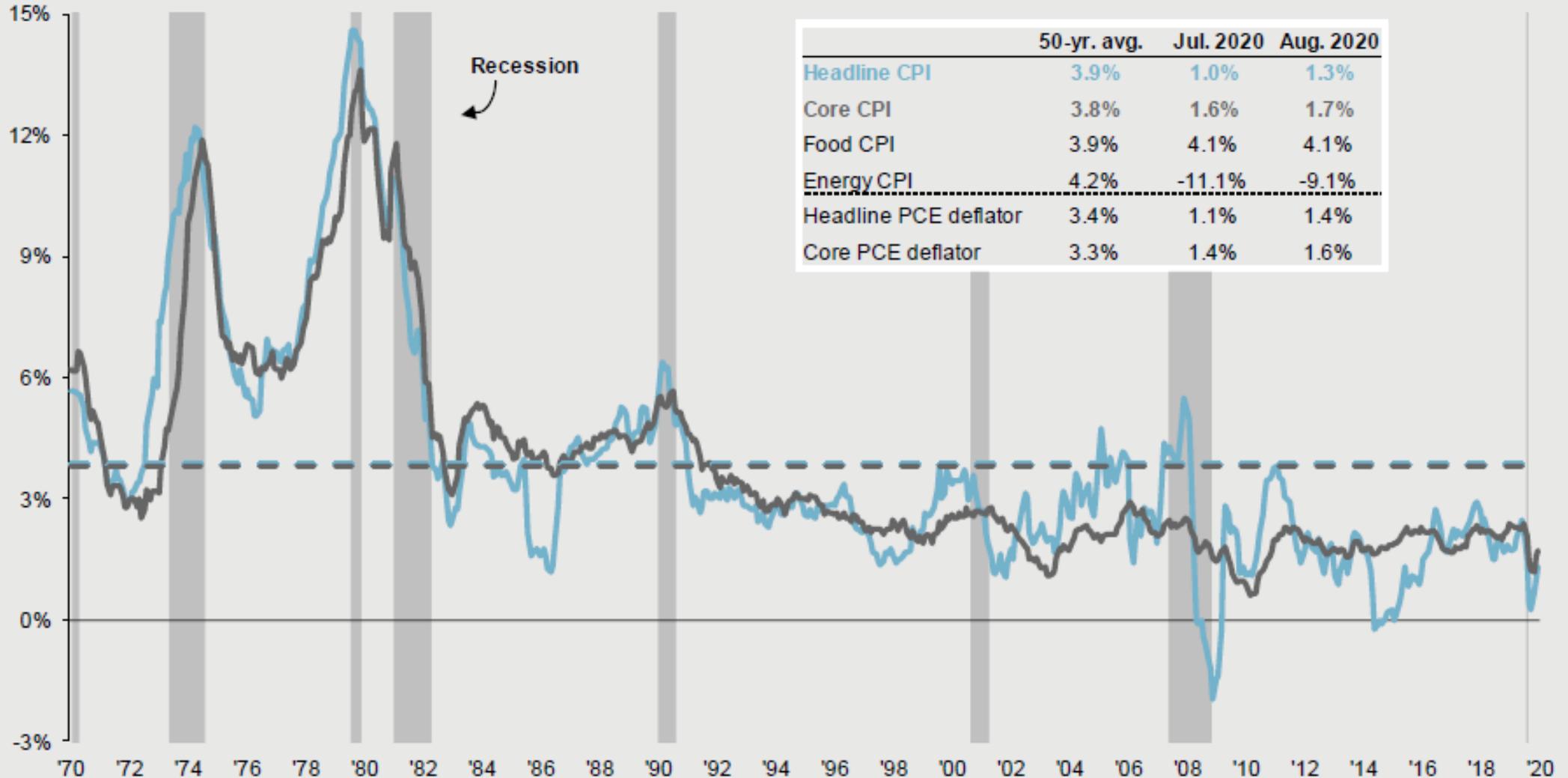
CORPORATE PROFITS



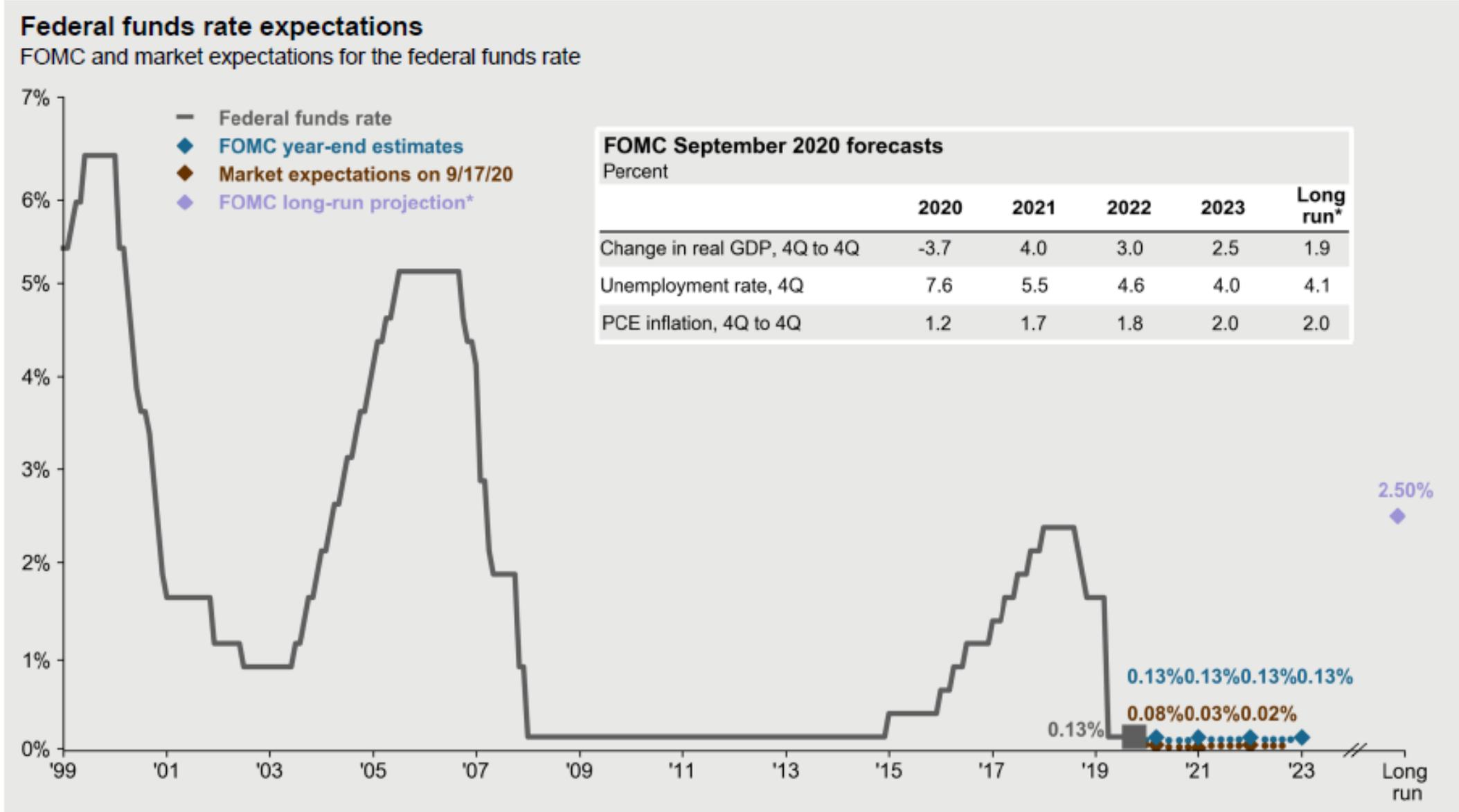
INFLATION

CPI and core CPI

% change vs. prior year, seasonally adjusted



THE FED AND INTEREST RATES

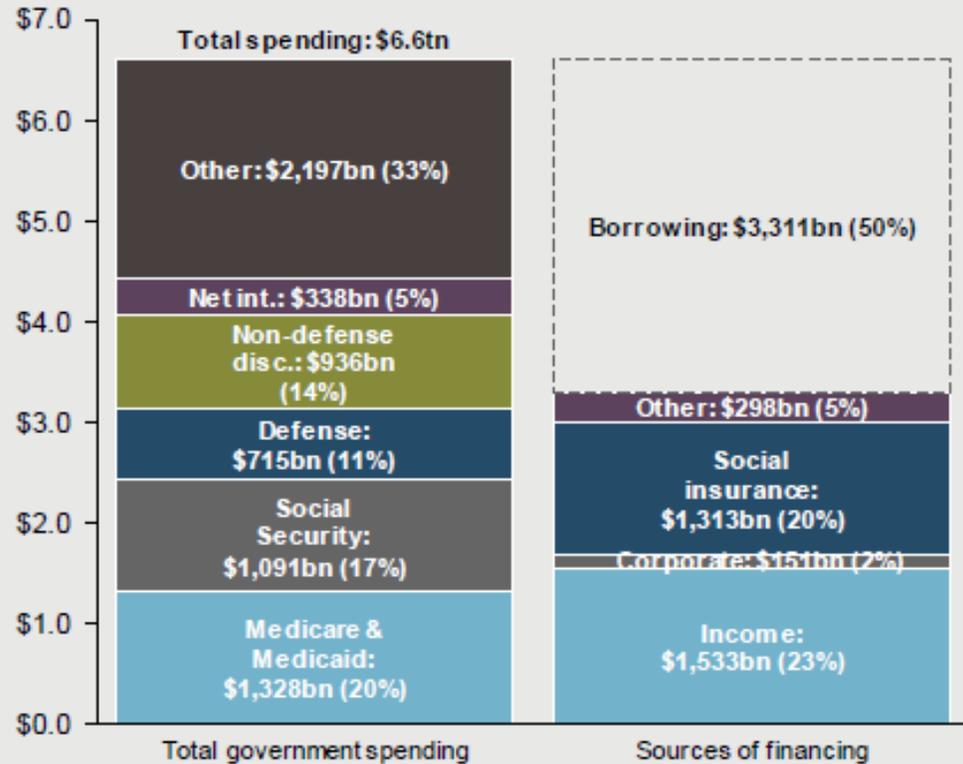


Source: Bloomberg, FactSet, Federal Reserve, JPMorgan Asset Management. Market expectations are the federal funds rates priced into the fed futures market as of the following date of the June 2020 FOMC meeting and are through December 2022.
 *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Past performance does not guarantee future results. *Guide to the Markets* – US Data are as of 9.30.20.

FEDERAL FINANCES

The 2020 federal budget

CBO Baseline forecast, USD trillions

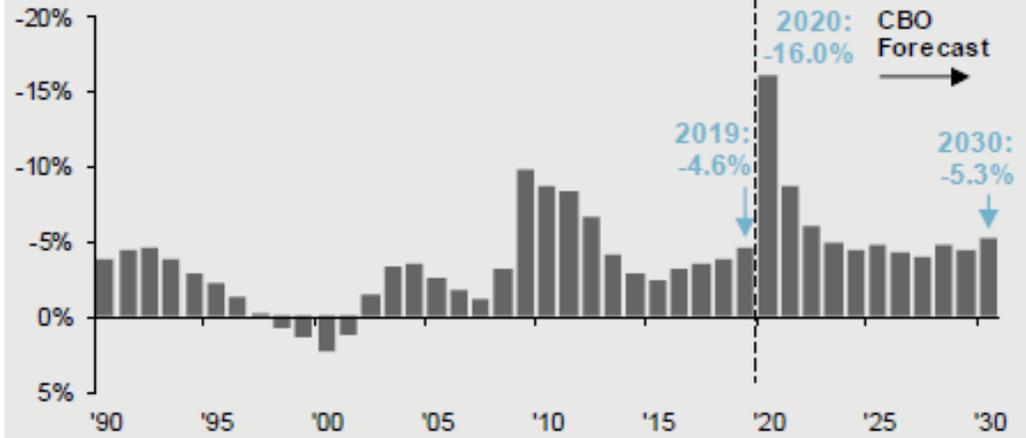


CBO's Baseline economic assumptions

| | 2020 | '21-'22 | '23-'24 | '25-'30 |
|--------------------------|-------|---------|---------|---------|
| Real GDP growth | -3.8% | 2.4% | 2.2% | 2.2% |
| 10-year Treasury | 1.1% | 0.9% | 1.4% | 2.6% |
| Headline inflation (CPI) | 1.4% | 1.3% | 2.2% | 2.2% |
| Unemployment | 8.8% | 8.2% | 6.4% | 4.9% |

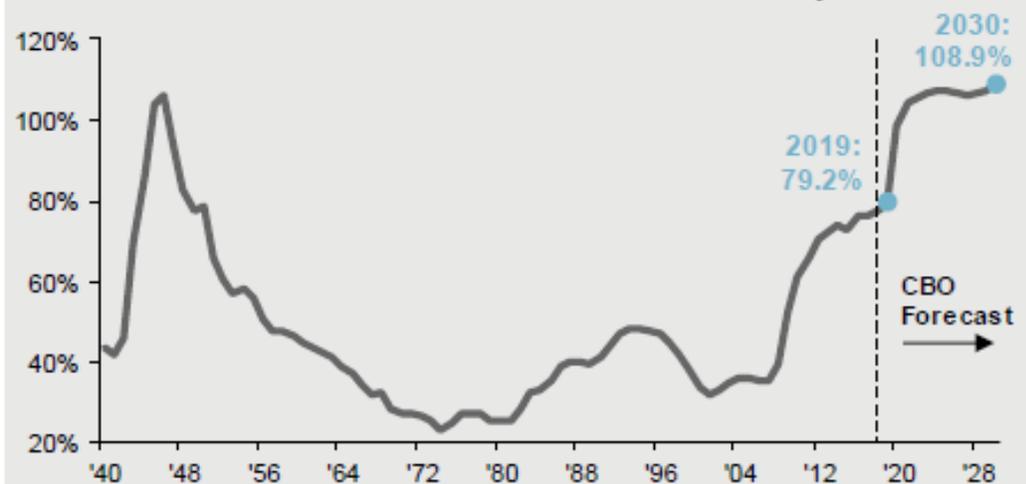
Federal budget surplus/deficit

% of GDP, 1990 – 2030, 2020 CBO Baseline



Federal net debt (accumulated deficits)

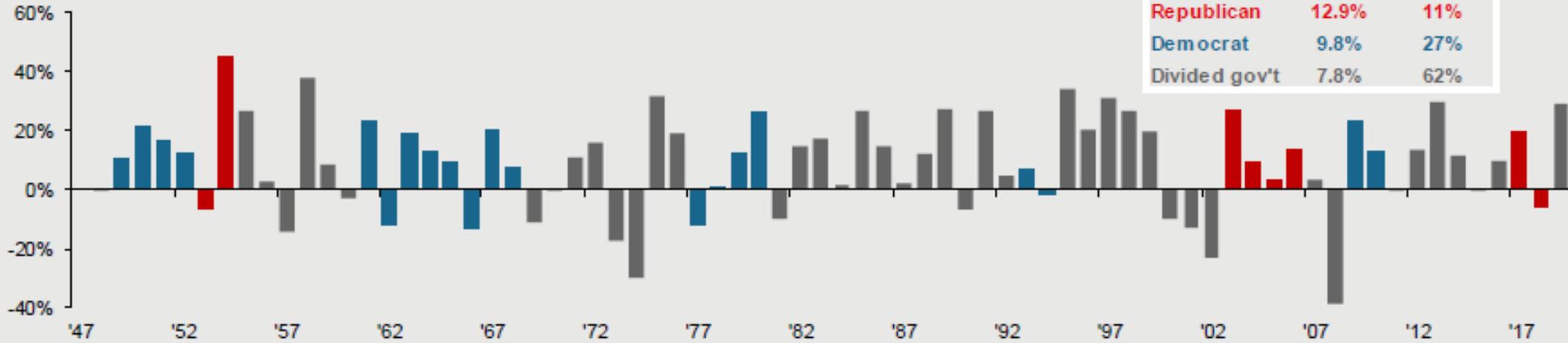
% of GDP, 1940 – 2030, 2020 CBO Baseline, end of fiscal year



GOVERNMENT CONTROL, THE ECONOMY, AND THE STOCK MARKET

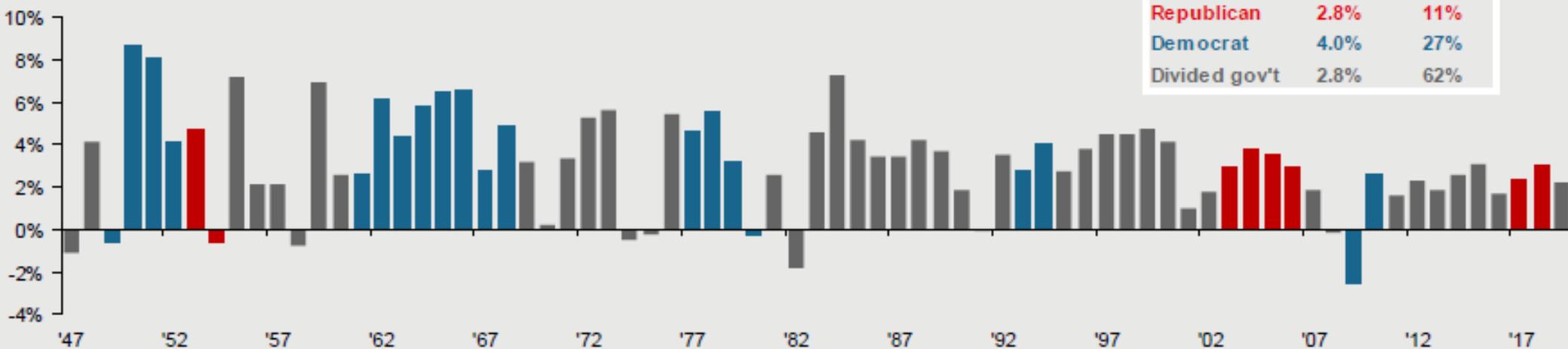
S&P 500 Price Index

Calendar year returns

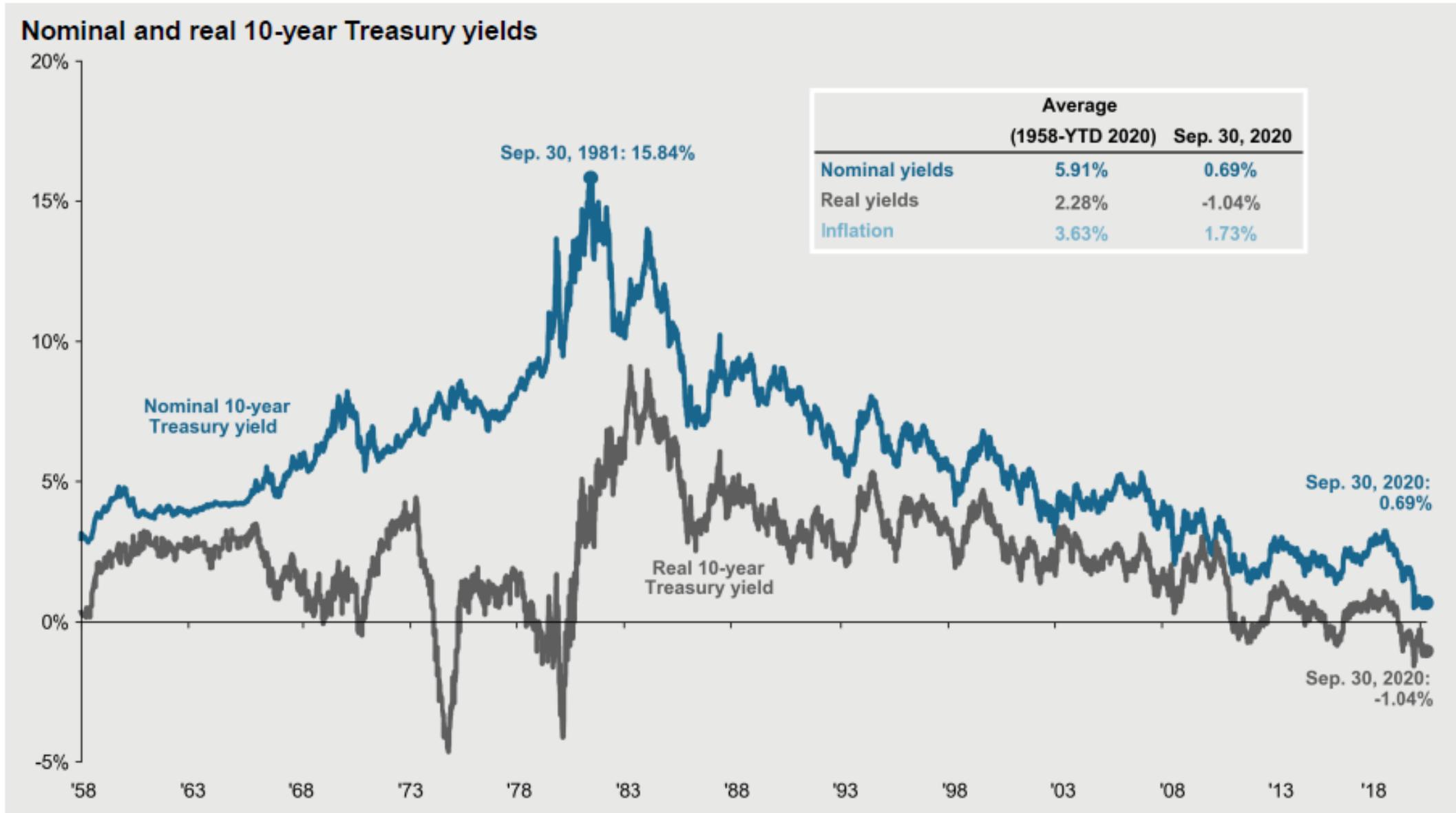


Real GDP

Year-over-year % change, annual

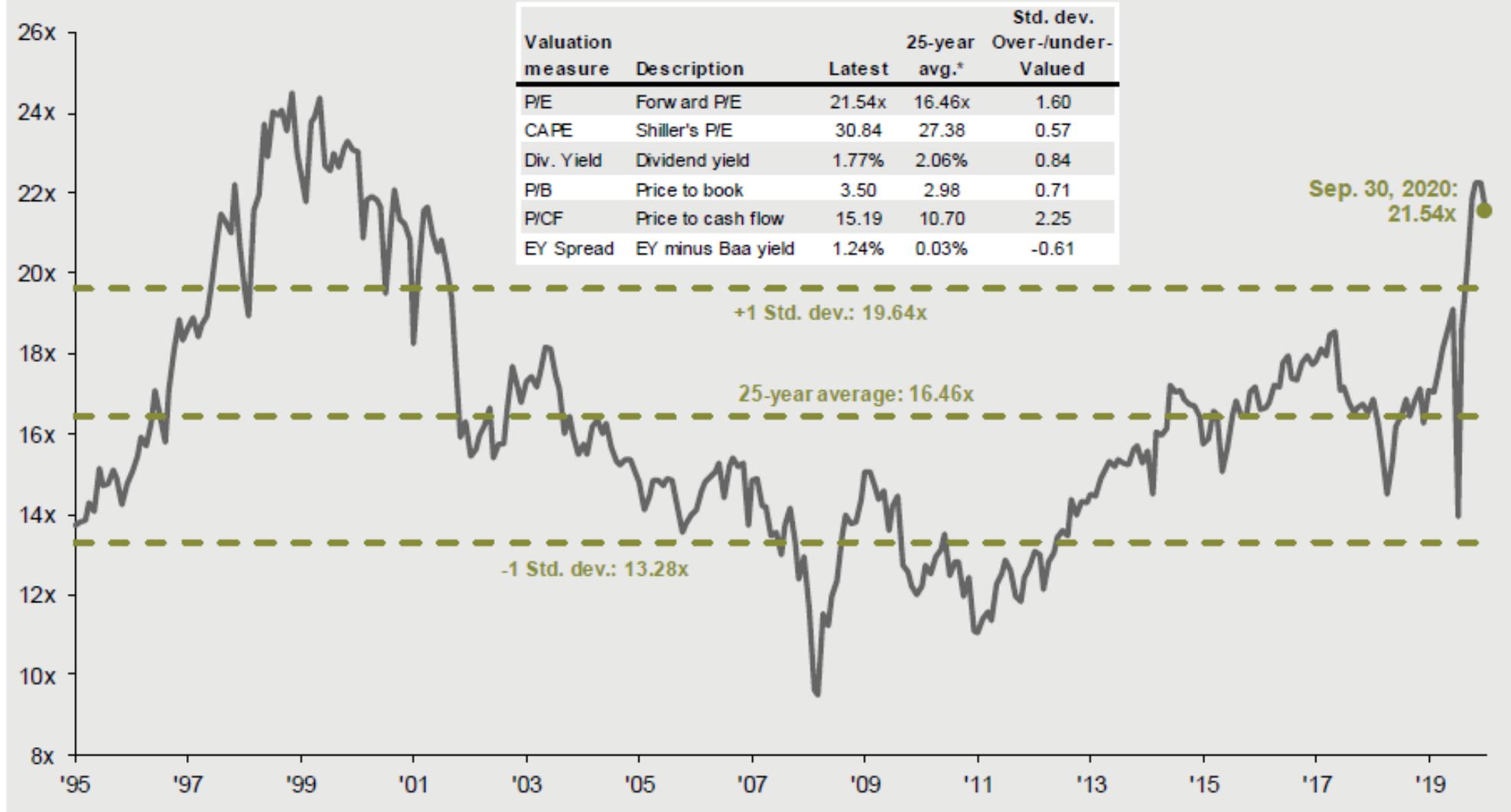


INTEREST RATES AND INFLATION



S&P 500 VALUATION MEASURES

S&P 500 Index: Forward P/E ratio



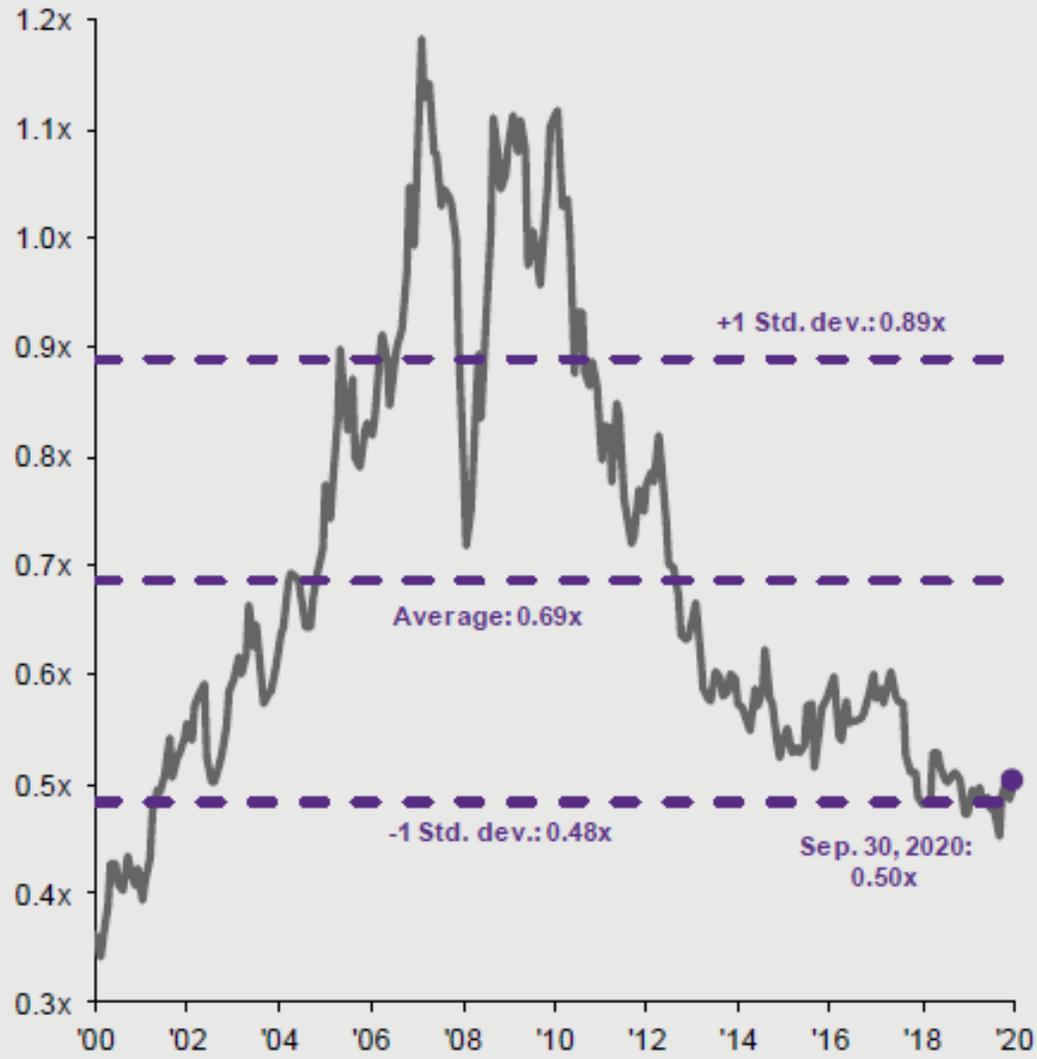
Source: FactSet, FRB, Robert Shiller, Standard & Poor's, Thomson Reuters, JPMorgan Asset Management.

Price to earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since September 1995, and FactSet for 9.30.20. Current next 12-months consensus earnings estimates are \$156. Average P/E and standard deviations are calculated using 25 years of IBES history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-month consensus dividend divided by most recent price. Price to book ratio is the price divided by book value per share. Price to cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. Past performance does not guarantee future results. *Guide to the Markets – US Data* are as of 9.30.20.

INTERNATIONAL VALUATIONS

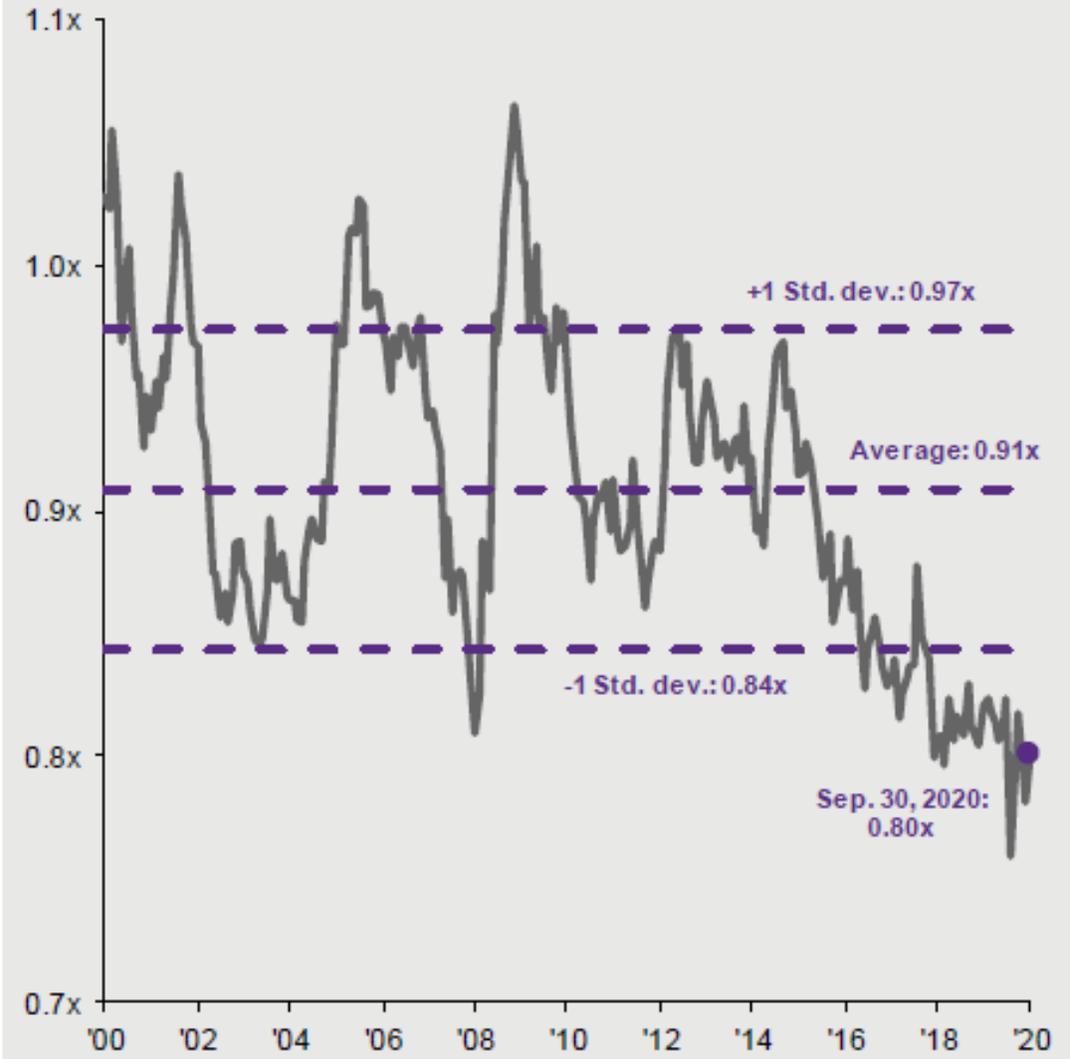
Emerging markets: Relative price-to-book ratio

MSCI Emerging Markets vs. S&P 500, last 12 months



Developed markets: Relative price-to-earnings ratio

MSCI EAFE vs. S&P 500, next 12 months



ASSET CLASS RETURNS

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | YTD | 2005 - 2019 | |
|----------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | | | | | | | | | | | | | | | | Ann. | Vol. |
| EM Equity 34.5% | REITs 35.1% | EM Equity 39.8% | Fixed Income 5.2% | EM Equity 79.0% | REITs 27.9% | REITs 8.3% | REITs 19.7% | Small Cap 38.8% | REITs 28.0% | REITs 2.8% | Small Cap 21.3% | EM Equity 37.8% | Cash 1.8% | Large Cap 31.5% | Fixed Income 6.8% | Large Cap 9.0% | REITs 22.2% |
| Comdty. 21.4% | EM Equity 32.6% | Comdty. 16.2% | Cash 1.8% | High Yield 59.4% | Small Cap 26.9% | Fixed Income 7.8% | High Yield 19.6% | Large Cap 32.4% | Large Cap 13.7% | Large Cap 1.4% | High Yield 14.3% | DM Equity 25.6% | Fixed Income 0.0% | REITs 28.7% | Large Cap 5.6% | REITs 8.3% | EM Equity 22.1% |
| DM Equity 14.0% | DM Equity 26.9% | DM Equity 11.6% | Asset Alloc. 25.4% | DM Equity 32.5% | EM Equity 19.2% | High Yield 3.1% | EM Equity 18.6% | DM Equity 23.3% | Fixed Income 6.0% | Fixed Income 0.5% | Large Cap 12.0% | Large Cap 21.8% | REITs -4.0% | Small Cap 25.5% | Cash 0.5% | Small Cap 7.9% | Comdty. 18.6% |
| REITs 12.2% | Small Cap 18.4% | Asset Alloc. 7.1% | High Yield -26.9% | REITs 28.0% | Comdty. 16.8% | Large Cap 2.1% | DM Equity 17.9% | Asset Alloc. 14.9% | Asset Alloc. 5.2% | Cash 0.0% | Comdty. 11.8% | Small Cap 14.6% | High Yield -4.1% | DM Equity 22.7% | Asset Alloc. -0.1% | EM Equity 7.8% | Small Cap 17.7% |
| Asset Alloc. 8.1% | Large Cap 15.8% | Fixed Income 7.0% | Small Cap -33.8% | Small Cap 27.2% | Large Cap 15.1% | Cash 0.1% | Small Cap 16.3% | High Yield 7.3% | Small Cap 4.9% | DM Equity -0.4% | EM Equity 11.6% | Asset Alloc. 14.6% | Large Cap -4.4% | Asset Alloc. 19.5% | High Yield -0.6% | High Yield 7.2% | DM Equity 17.3% |
| Large Cap 4.9% | Asset Alloc. 15.3% | Large Cap 5.5% | Comdty. -35.6% | Large Cap 25.5% | High Yield 14.8% | Asset Alloc. -0.7% | Large Cap 16.0% | REITs 2.9% | Cash 0.0% | Asset Alloc. -2.0% | REITs 8.6% | High Yield 10.4% | Asset Alloc. -5.8% | EM Equity 18.9% | EM Equity -0.9% | Asset Alloc. 6.6% | Large Cap 14.0% |
| Small Cap 4.6% | High Yield 13.7% | Cash 4.8% | Large Cap -37.0% | Asset Alloc. 25.0% | Asset Alloc. 13.3% | Small Cap -4.2% | Asset Alloc. 12.2% | Cash 0.0% | High Yield 0.0% | High Yield -2.7% | Asset Alloc. 8.3% | REITs 8.7% | Small Cap -11.0% | High Yield 12.6% | DM Equity -6.7% | DM Equity 5.3% | High Yield 10.9% |
| High Yield 3.6% | Cash 4.8% | High Yield 3.2% | REITs -37.7% | Comdty. 18.9% | DM Equity 8.2% | DM Equity -11.7% | Fixed Income 4.2% | Fixed Income -2.0% | EM Equity -1.8% | Small Cap -4.4% | Fixed Income 2.6% | Fixed Income 3.5% | Comdty. -11.2% | Fixed Income 8.7% | Small Cap -8.7% | Fixed Income 4.1% | Asset Alloc. 10.0% |
| Cash 3.0% | Fixed Income 4.3% | Small Cap -1.6% | DM Equity -43.1% | Fixed Income 5.9% | Fixed Income 6.5% | Comdty. -13.3% | Cash 0.1% | EM Equity -2.3% | DM Equity -4.5% | EM Equity -14.6% | DM Equity 1.5% | Comdty. 1.7% | DM Equity -13.4% | Comdty. 7.7% | Comdty. -12.1% | Cash 1.3% | Fixed Income 3.4% |
| Fixed Income 2.4% | Comdty. 2.1% | REITs -15.7% | EM Equity -53.2% | Cash 0.1% | Cash 0.1% | EM Equity -18.2% | Comdty. -1.1% | Comdty. -9.5% | Comdty. -17.0% | Comdty. -24.7% | Cash 0.3% | Cash 0.8% | EM Equity -14.2% | Cash 2.2% | REITs -12.3% | Comdty. -2.6% | Cash 1.0% |

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, JPMorgan Asset Management. Asset classes represented by: Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Commodity: Bloomberg Commodity Index, High Yield: Bloomberg Barclays Global HY Index, Fixed Income: Bloomberg Barclays US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg Barclays 1-3m Treasury. The 'Asset Allocation' portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg Barclays US Aggregate, 5% in the Bloomberg Barclays 1-3m Treasury, 5% in the Bloomberg Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index, and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period of 12.31.04 - 12.31.19. It is not possible to invest directly in an index. All indices are unmanaged. Please see disclosure pages for index definitions. All data represents total return for stated period. The 'Asset Allocation' portfolio is for illustrative purposes only. Diversification/asset allocation does not ensure a profit or guarantee against loss. Past performance does not guarantee future results. *Guide to the Markets - US Data* are as of 9.30.20

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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.

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.

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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 comprised 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.)

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 following 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.)

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.

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 not 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.