Slide 1

QUARTERLY MARKET REVIEW

October 27, 2022

Shepherd FINANCIAL

Slide 2

DISCLOSURES

The views and opinions expressed herein are those of the author(s) noted and may or may not represent the views of Lincoln Investment.

The discussion herein is general in nature and is provided for information purposes only. There is no guarantee as to its accuracy or completeness. It is not intended to be and may not be regarded as legal, tax, or financial advice. Laws of a specific state or laws relevant to a specific situation may affect the applicability, accuracy, or completeness of this information. Consult an attorney or tax advisor regarding your specific legal or tax situation.

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.

Lincoln Investment's Financial Advisor will have available a current prospectus of each fund whose shares are offered. There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to effect some of the strategies. Investing involves risks, including possible loss of principal.

111 Congressional Blvd, Suite 100, Carmel, IN 46032 | 317.975.5033 | 844.975.4015

Advisory services offered through Shepherd Financial Investment Advisory, LLC or Capital Analysts, LLC, Registered Investment Advisers.

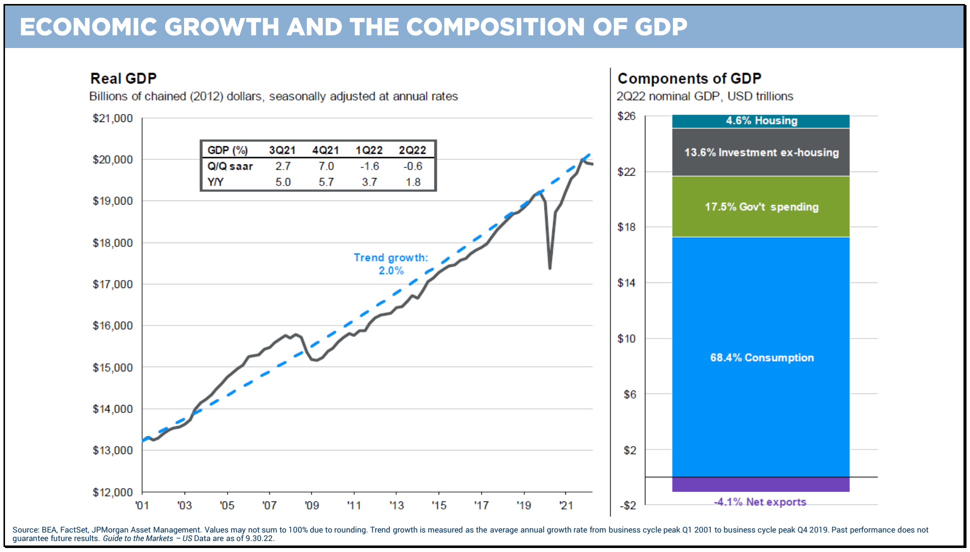
Securities offered through Lincoln Investment, Broker/Dealer, Member FINRA/SIPC. www.lincolninvestment.com

Shepherd Financial, LLC and Shepherd Financial Investment Advisory, LLC are independent of and not affiliated with Capital Analysts or Lincoln Investment.

Lincoln Investment, Capital Analysts, and Shepherd Financial, LLC do not offer tax or legal advice services.

This presentation is for basic investment education. It is not a substitute for reading plan documents, materials provided by fund companies, or materials provided by your employer. This presentation should not be the sole source for your investment decisions, and any performance data quoted represents past performance and does not guarantee future results.

Slide 3

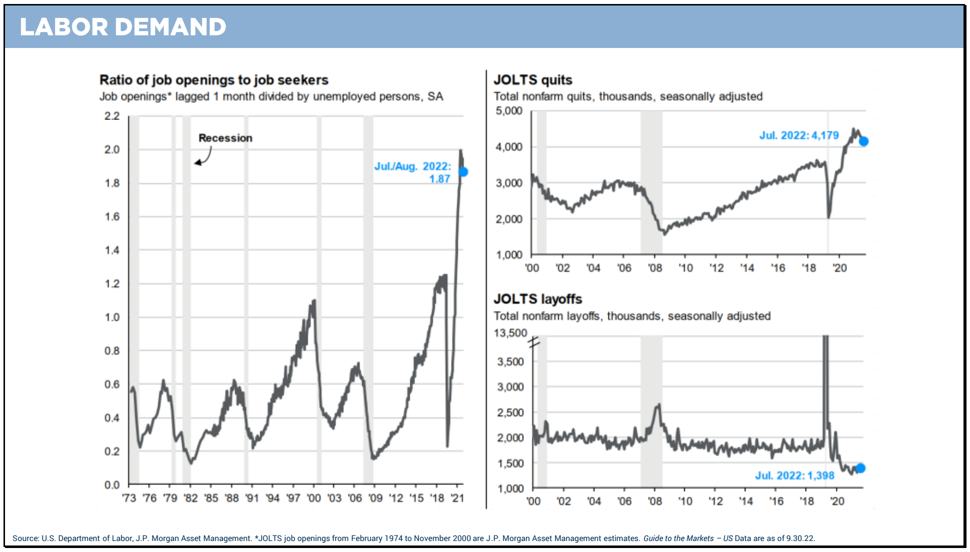


While year-over-year inflation seems to have peaked in June, the inflation outlook still remains uncertain due to the war in Ukraine, China's COVID policies, and a very tight US labor market. We know the Federal Reserve responded by doubling down on its hawkish stance, reducing the balance sheet, raising the federal funds rate by a total of 3% this year, and signaling further aggressive tightening moves going forward. But in the meantime, recession worries have increased due to ongoing fiscal drag, weakness overseas, and sharp increases in both interest rates and the dollar. That's led to further declines in both the stock and bond markets, as we've seen. But it does leave valuations at much more reasonable levels than at the start of the year. So the questions for investors are when to take advantage of these better valuations and which areas to overweight or underweight in a very complicated macro environment.

As we are entering the fourth quarter of 2022, economic growth has slowed. And honestly, it looks like it's going to slow further. We had the positive effects of fiscal stimulus and post-pandemic reopenings before, but those have faded and been replaced by some major drags on economic activity. In particular, the federal budget deficit, which amounted to $3.2 trillion in fiscal 2020 and $2.8 trillion in fiscal 2021, fell to less than $1 trillion in fiscal 2022 – that ended the last day of September, for those of you keeping track. It's likely to fall further, particularly if the country faces divided government following the mid-term elections, which is expected. Declining deficits, while positive for the long-term financial position of the US government, reduces the flow of government money, particularly to low- and middle-income families. And it's already led to much slower growth in real consumer spending growth. And that weakness in consumption will naturally be accompanied by slow growth or even declines elsewhere. Just look at mortgage rates. They have more than doubled since the start of the year. Those increases, coming hard on the heels of soaring home prices, have dashed the hopes of millions of potential home-buyers. So that's likely going to result in continued declines in home building, home sales, and the spending we see associated with setting up new households.

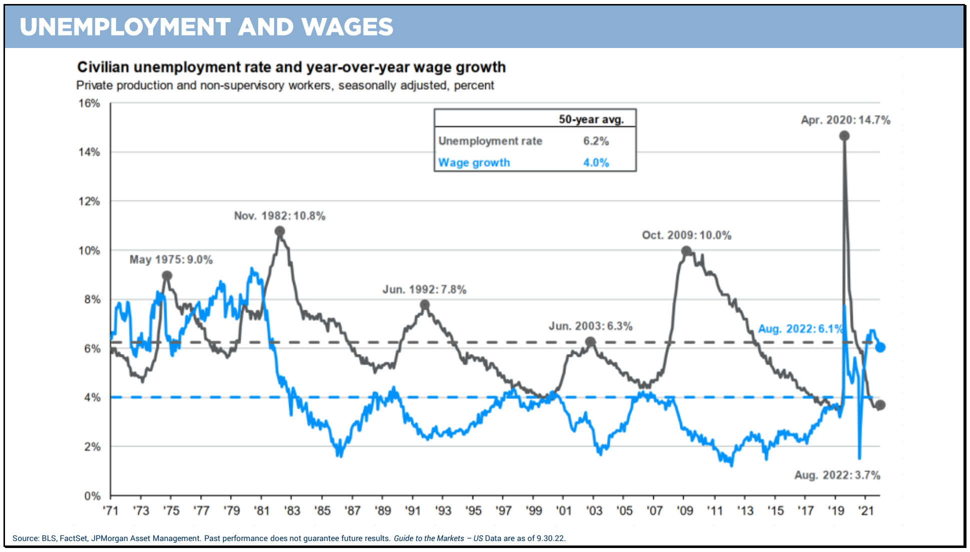
And let's talk about the dollar – it soared by 20% over the past year. This very high exchange rate, combined with weakness overseas, will likely boost imports and curtail exports – that creates a drag on overall economic growth. Inventories are also likely to grow more slowly moving forward because companies are returning to their more-normal inventory levels following the pandemic shortages. I do think there are areas where spending could be stronger, such as new vehicle sales, as supply constraints ease. Government spending could also be stronger if state and local authorities can increase wage rates enough to attract limited talent. A realistic outlook for the economy overall is that it's likely to see – at best – very weak real GDP growth through the end of 2023 with probably more than a 50% chance of outright recession.

Slide 4



While unusually strong excess demand in the labor market has eased a little in recent months, we still have nearly two job openings for every unemployed worker, as well as elevated quitting and suppressed layoffs. Why is demand still so high? It's likely reflected in the booming economic growth from last year as the economy began to reopen. The companies that thrived during the pandemic and those with slower activity both saw very strong revenue growth. And there were also factors playing into a shortage of workers, too – diminished legal immigration – especially over the course of the pandemic – and a large number of baby boomers hitting retirement age.

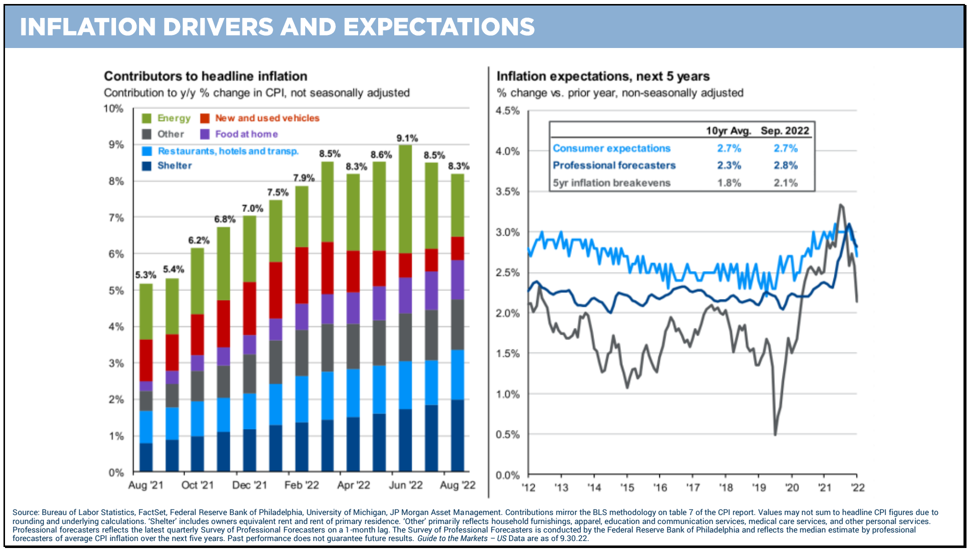
Slide 5



I'd expect some resolution in the imbalance over the next few years. For one thing, I think many businesses are going to discover they don't actually have the revenues to justify further hiring. For another, higher wages are going to lure some of those currently-unemployed or recently-retired workers back to the labor market. But even with the labor market tilting more toward normality, I think unemployment will stay low. I think it's quite possible the unemployment rate will stay below 4% by the end of the year.

Wage growth is likely to remain strong for a while, but there are significant questions about how quickly job openings might decline, how much labor force participation might rise, and how strongly wages could grow in an economy that's seeing both an acute shortage of labor and rapidly declining growth in aggregate demand.

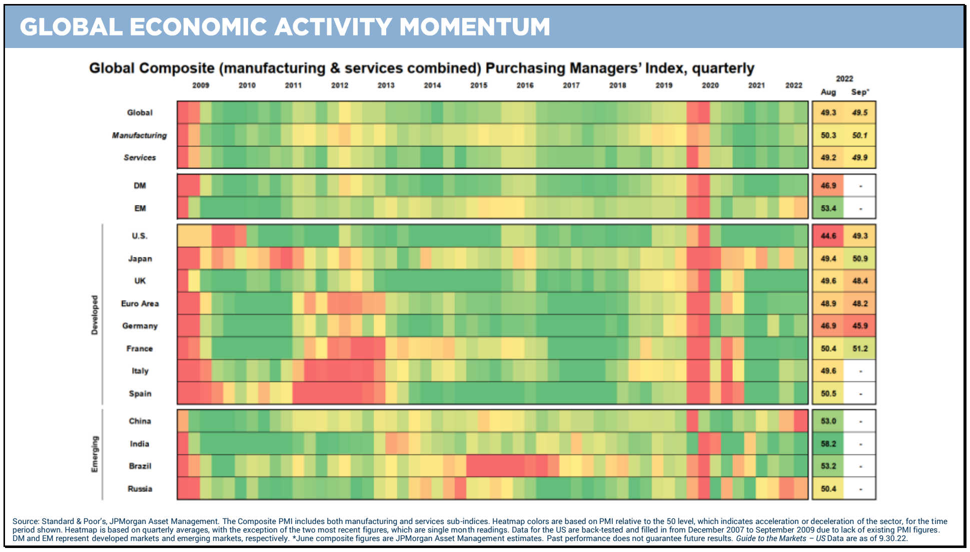
Slide 6



It's been a year of inflation fears with headline CPI inflation peaking at a 9.1% year-over-year gain in June. The good news, though, is that inflation has eased more recently. Consumer prices registered an unchanged reading for July and a gain of just 0.1% in August. But, as you can see on the slide, this largely reflects a rollover in energy prices. The stickier parts of inflation, such as shelter costs, continue to rise. Even the stickier elements of inflation may not be as challenging as some people have suggested. Wage growth will likely moderate as the labor market comes back into balance. Shelter costs should stop accelerating as younger households eventually refuse to pay higher rents.

Let's talk about inflation expectations on the right hand side of this slide. They don't look particularly elevated. The average annual CPI inflation over the next five years is expected to be in a range of 2.5% to 3%, according to consumers, Treasury investors, and professional forecasters. So despite the pain caused by current inflation, it seems like it's going to ease over the next few years – whether the economy falls into a recession or not.

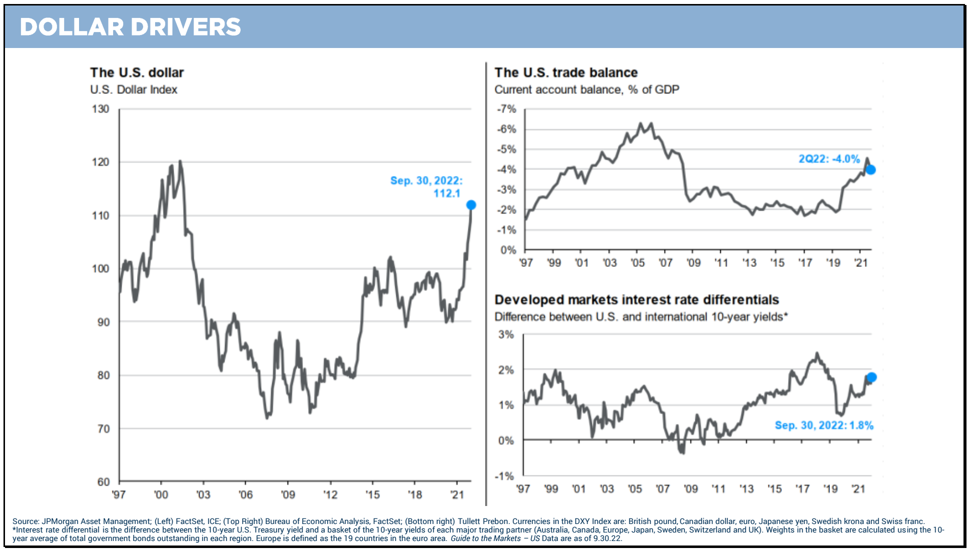
Slide 7



One important aspect of the financial backdrop is the current weakness of the global economy. The composite PMI heatmap of the world we're showing here uses red to represent weakness across manufacturing and services, while green represents strength. This chart clearly shows the declining momentum over the course of the year. The Eurozone economies and the UK have been badly hit by the higher energy prices and energy shortages due to the war in Ukraine. This led to slumps in consumer confidence and spending. In addition, inflation has risen sharply across Europe and caused central banks to adopt more hawkish policy positions. At the start of the year, the key policy rates of the ECB and Bank of England were at – 0.50% and + 0.25%, respectively. Today, though, they have risen to 0.75% and 2.25%, respectively. And they are both set to move higher in the months ahead, even if the region slumps into recession.

Growth has been slow in China, too. This is due to a host of issues, including the knock-on effects of the war in Ukraine, the impact of reforms introduced last year, attempts to rein in a housing bubble, and an aggressive zero-COVID policy. If, as we assume, the October Communist Party Congress reaffirms President Xi's leadership for another five years, China may relax some of these policies, which would allow for a resumption of stronger economic growth. But in the short run, Chinese economic growth is likely to remain slow.

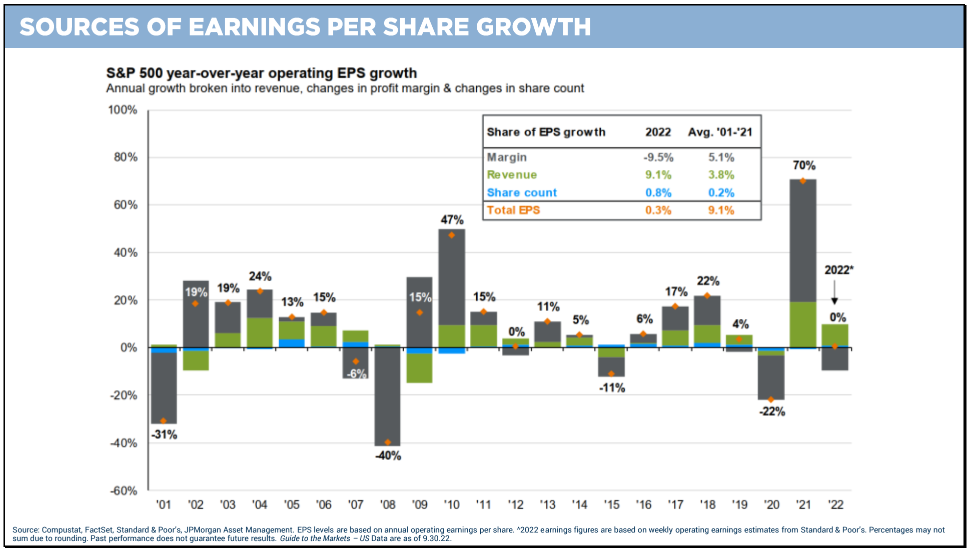
Slide 8



As we can see on this slide, the US dollar soared in the third quarter – in nominal terms, it's at its highest level since 2002. And in real terms, once we take inflation into account, it's at its highest level since 1985. This strength likely reflects economic problems overseas, the geopolitical uncertainty caused by the Ukraine war, and the Fed's particularly aggressive tightening compared to other central banks. But as we can also see here, this high dollar has contributed to a worsening current account deficit. It amounts to roughly 4% of GDP. Due to lagged effects, it's likely to widen further over the next year, which will seriously undermine the competitiveness of US manufacturing and diverting an ever-growing chunk of US demand toward overseas producers.

It's also had an impact on international equities. The rising dollar has further undermined returns on international equities. In the long run, I do expect economic forces to gradually drive the dollar down. It could be accelerated by a ceasefire in Ukraine. Or if the Federal Reserve is seen to pivot to a less hawkish policy over the new few months.

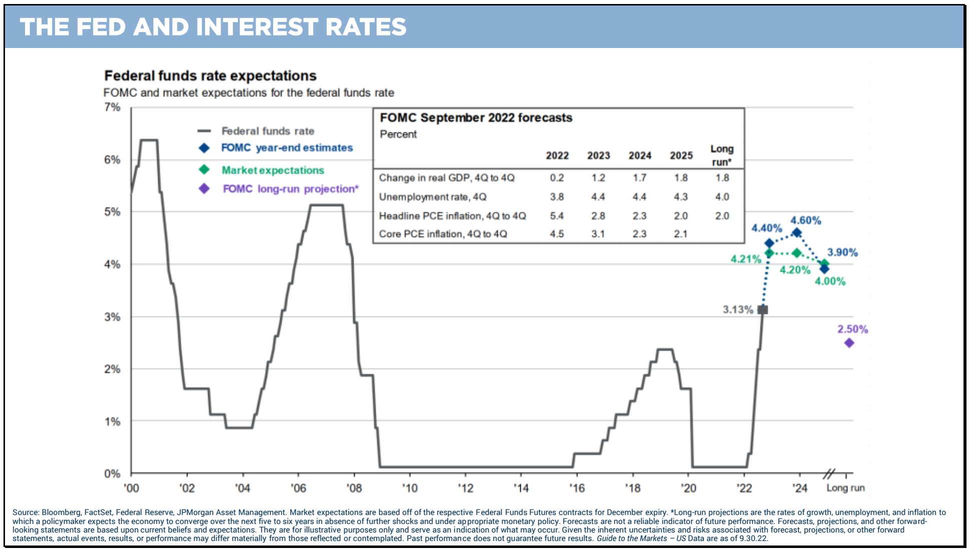
Slide 9



Following a pretty spectacular 2021, in which the S&P 500 operating earnings per share rose by 70%, profits are growing much more slowly this year. In the first half of the year, operating EPS fell by 3.2% year-over-year, and analysts now expect a less than 1% gain for 2022 as a whole. Companies may have difficulty meeting modest expectations. Current analyst estimates for a double digit percentage gain in earnings in 2023 look far too optimistic. While energy companies are going to continue to benefit from the high margins, rising labor costs, higher interest rates, and slowing nominal sales growth should bite into profits.

A much higher dollar will erode the value of overseas sales while recession concerns could cause managements to take some discretionary hits to the bottom line while they have a macro-economic excuse to do so. A recession would, of course, lead to a sharp decline in profits, but if this eventually leads to less wage pressure and easier monetary policy, it could set up a better long-term environment going forward.

Slide 10

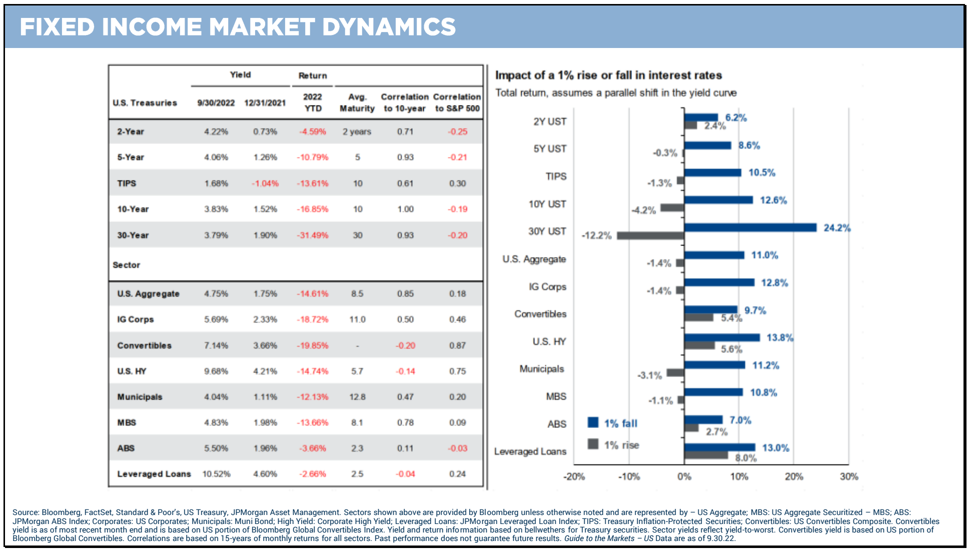


Let’s talk about how the strong labor market and inflation upside surprises in the first half of the year pushed the Fed to their hawkish stance. At the September meeting, the Federal Reserve increased the federal funds rate by 0.75% for the third consecutive time. This followed increases of 0.25% in March and 0.50% in May. In total, this has boosted the federal funds rate to a range of 3.00% to 3.25%. The Summary of Economic Projections indicated a median expectation among the members of the FOMC of further cumulative increases of 1.25% this year and 0.25% next year. That would take the federal funds rate to a range of 4.25% to 4.50% by the end of 2022 and 4.50% to 4.75% by the end of 2023. The Fed is also continuing to reduce their huge bond holdings at a pace of $95 billion per month.

The Summary included a forecast that the year-over-year core consumption deflator inflation rate would fall to 4.5% by the fourth quarter of 2022, then 3.1% by the fourth quarter of 2023, and to 2.23% by the fourth quarter of 2024. It suggests the Fed does believe inflation is on track to moderate. But the same projections show the unemployment rate rising from its current 3.7% to 4.4% by the fourth quarter of 2023. It’s pretty unusual for the unemployment rate to rise so little in an episode of economic weakness. There is a risk that a recession will push it higher.

It’s significant that while futures markets now roughly agree with the Fed’s own forecasts of the federal funds rate for the rest of this year, they are pricing in Fed easing starting next spring. This illustrates the risk that too-aggressive Fed action could tip the economy into recession.

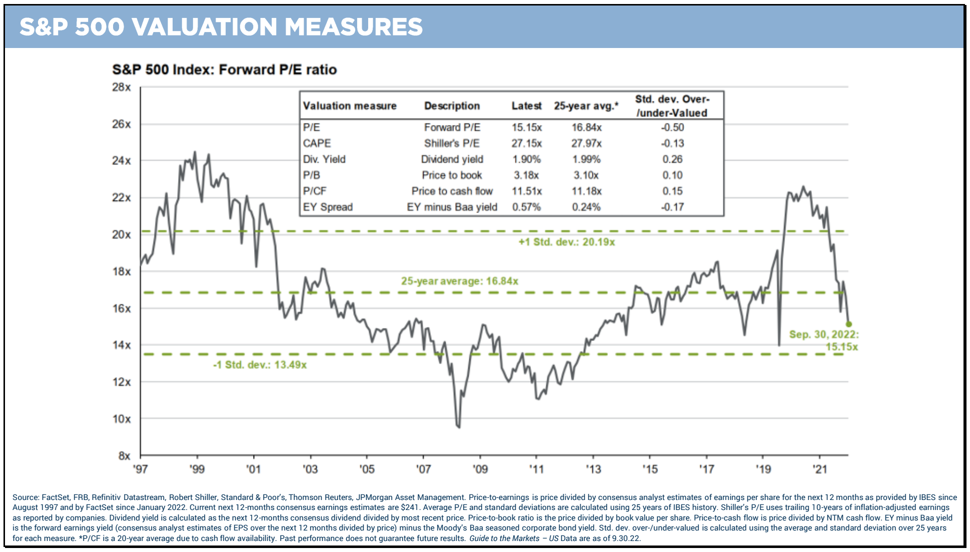
Slide 11



	Yield		Return			
U.S. Treasuries	9/30/2022	12/31/2021	2022 YTD	Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
2-Year	4.22%	0.73%	-4.59%	2 years	0.71	-0.25
5-Year	4.06%	1.26%	-10.79%	5	0.93	-0.21
TIPS	1.68%	-1.04%	-13.61%	10	0.61	0.30
10-Year	3.83%	1.52%	-16.85%	10	1.00	-0.19
30-Year	3.79%	1.90%	-31.49%	30	0.93	-0.20
Sector						
U.S. Aggregate	4.75%	1.75%	-14.61%	8.5	0.85	0.18
IG Corps	5.69%	2.33%	-18.72%	11.0	0.50	0.46
Convertibles	7.14%	3.66%	-19.85%	-	-0.20	0.87
U.S. HY	9.68%	4.21%	-14.74%	5.7	-0.14	0.75
Municipals	4.04%	1.11%	-12.13%	12.8	0.47	0.20
MBS	4.83%	1.98%	-13.66%	8.1	0.78	0.09
ABS	5.50%	1.96%	-3.66%	2.3	0.11	-0.03
Leveraged Loans	10.52%	4.60%	-2.66%	2.5	-0.04	0.24

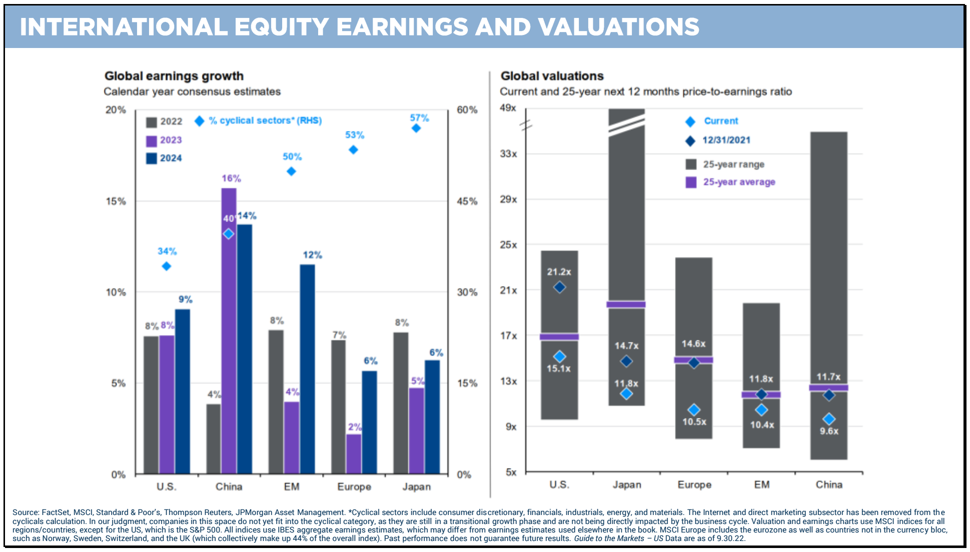
High inflation, paired with the Fed's much more hawkish stance, have led to sharp backup in bond yields so far in 2022. That's led to negative returns across fixed income markets. And while the Fed appears likely to continue to raise rates through the end of the year, increasing worries about recession could limit further increases in long-term Treasury yields. Credit spreads have continued to widen out in anticipation of a slowing economy, and this may present opportunities in areas such as high yield bonds and convertibles. Of course, that's dependent on the economy avoiding a deep recession.

Slide 12



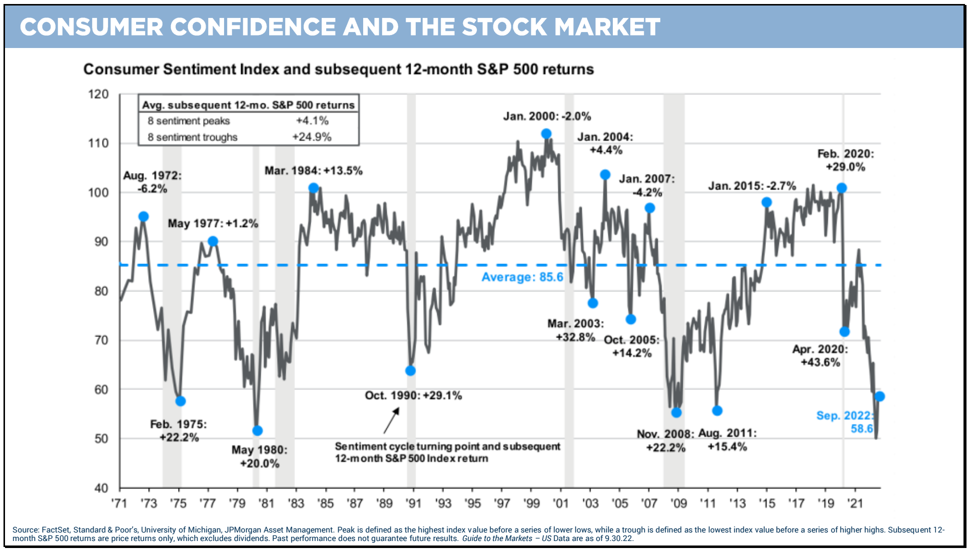
Equities have had an up and down year. They slumped into a bear market in the first half of the year, but then they recovered most of their losses by mid-summer, when they promptly slumped again. Investors were worried about inflation, Fed tightening, and the threat of recession. All these issues are very real. But at the same time, the S&P 500 forward P/E ratio is now below its 25-year average of roughly 16.9 times. This should set investors up for better returns in the long run, particularly if today's stressful environment is eventually replaced by one of slow growth, low inflation and interest rates, and high profitability like we've seen over the last decade. Higher interest rates will likely cause a compression in valuations across financial markets with US value stocks and international equities in general being best positioned to outperform.

Slide 13



International equities have certainly had a rough 2022 with losses across both developed countries and emerging markets. Local currency losses in Europe, Japan, and emerging markets outside of China have actually been significantly less than in the US. But a sharp slide in the dollar throughout this year had amplified these losses for investors. All that being said, the dollar is now at almost a 40-year high in real terms relative to our major trading partners. In addition, as you can see on the slide, equity valuations outside the United States remain far below US levels or their own long-term averages. In the long run, international equities should provide good returns starting from these valuations. And beyond that, there remains the possibility of significant short-term gains. But those are going to be dependent on things like a ceasefire in Ukraine, more stable Chinese growth, or more dovish Fed policy, which could lead to a simultaneous rebound in both international currencies and international equities.

Slide 14

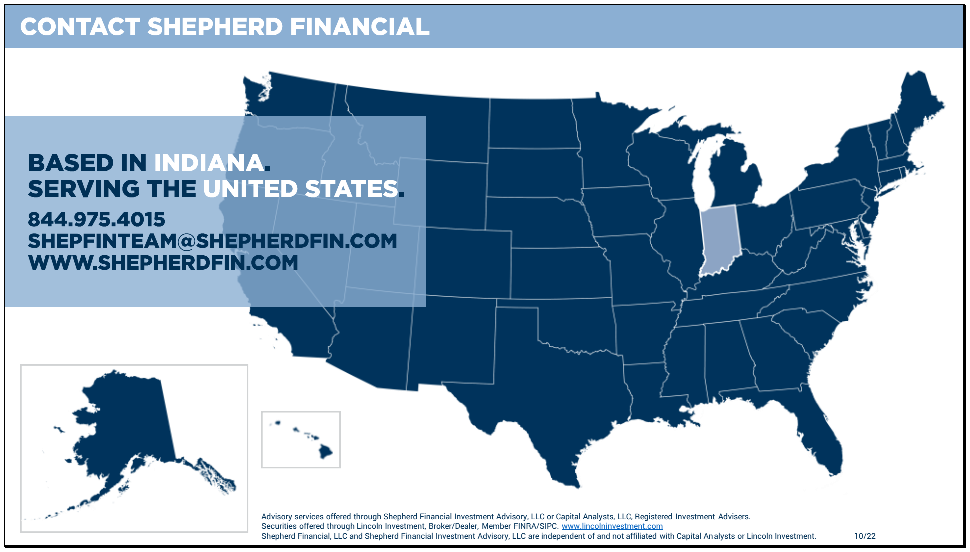


It's been a disappointing year for many Americans. Omicron prolonged the pandemic. Inflation and interest rates rose sharply. Stock prices fell. Russia brutally invaded Ukraine. All of those things, combined with a very partisan political environment, drove consumer sentiment down to its lowest level on record in June. And it's only come back up a little since then. As we know, when investors are feeling gloomy and worried about the outlook, they tend to sell risk assets like stocks. But history tells us trying to time the markets like this is a mistake.

Look at the slide. We're showing the past 50 years with eight distinct peaks and troughs, as well as what the S&P 500 index did in the 12 months following those peaks and troughs. On average, when someone bought when consumer confidence was high, it yielded a return of 4.1%. But buying at a confidence low returned 24.5%.

Again, this doesn't mean we're going to get those 25% returns over the next year. A lot goes into it. But it does suggest that in planning for the next couple of months and the years ahead, investors should focus on what they own and valuations rather than trying to time the market and making investment decisions based on how they feel about the world.

Slide 15



Don’t forget our next Open Phone Day is Tuesday, November 1st, and you can sign up for that by emailing shepfinteam@shepherdfin.com. If you’d like to talk with one of our team members at any other time, you can always call us at 844.975.4015 or 317.975.5033.

Slide 16

DEFINITIONS AND DISCLOSURES

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.

Slide 17

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.)

Slide 18

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.)

Slide 19

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.

Slide 20

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.