2023 Outlook:
Enjoy What You Can, Endure What You Must

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As we exit a tumultuous 2022 and face the inherent uncertainty of a new year, we adopt the wise words of Goethe as our mantra for 2023: “Enjoy what you can, endure what you must.”

This means we will continue to look for opportunities in the volatility and disruption of weak markets, finding ways to (safely) seek higher yields, lower valuations, and better entry points. But we will also continue to be balanced and realistic about the persistent headwinds that must be endured, including tight liquidity and policy, slower growth, and weak trends.

Enjoy and endure.

We would all like the down markets of 2022 to be left distantly in the rearview mirror, but many of the same trends of 2022 must still be reckoned with in 2023.

We observe a U.S. economy that is currently far too resilient, with far too high inflation to support an about-face in Federal Reserve policy, meaning hopes of an imminent pivot to ease are likely misplaced. We observe a U.S. bond market that is likely ahead of itself in pricing in support of the Fed. We observe a U.S. equity market that, for all its weakness in 2022, is not trading at a level that can be considered “cheap” or with a sufficiently low bar for earnings growth estimates.

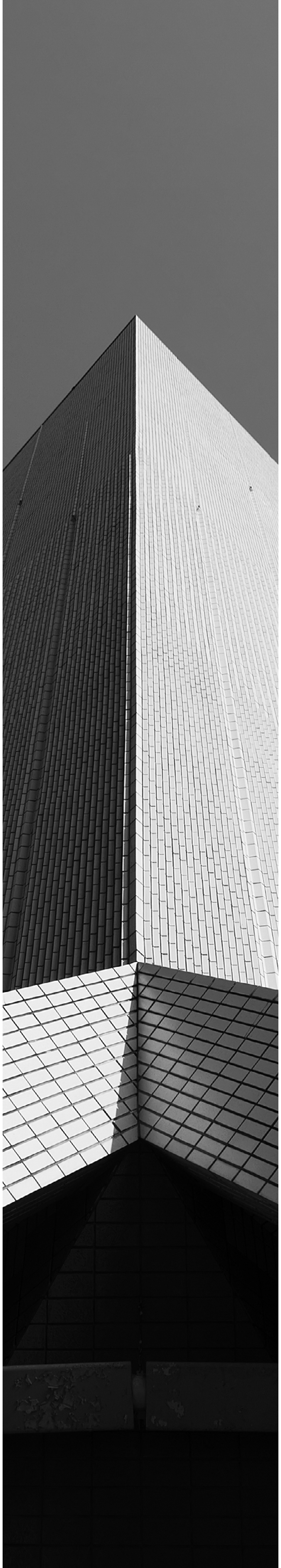
One huge and helpful difference between 2022 and 2023 is positioning and sentiment. 2022 began with many forecasters and investors having lofty goals for a continuation of the market ebullience of the bubbly years of 2019-2021. But these bullish hopes were epically dashed in 2022 by the harsh reality of tight policy confronting high valuations for both equities and bonds. We call 2022 “the year the everything bubble died,” with unprecedented dual weakness in the combination of equities and bonds.

Now as we start 2023, market forecasters and investors are far more subdued in their hopes for the coming year (though there is an eye-popping range between equity bull and bear expectations). Positioning is now lighter/shorter in both equities and bonds, though not at extremes, while sentiment is far more downtrodden. This process of deflating expectations, valuations, positioning, and sentiment is likely not complete, but we have certainly made progress.

2023 is going to be a market that demands discipline. This discipline requires balancing short-term drivers (technicals, positioning, and sentiment), medium-term drivers (fundamentals like valuations and earnings), and long-term goals. There will be periods where these time frames will disagree or tell different messages. We saw this dynamic in 2022 with powerful bear market rallies driven by short-term technicals and positioning, while medium-term fundamentals continued to weaken. We stay disciplined, balancing short- and medium-term signals, so as to continue to make progress toward our long-term goals.

Overall, we expect another year of rationalization, rotation, uncertainty, and volatility in markets and the economy in 2023. However, emerging from these dynamics are to be opportunities of which we are prepared to take advantage.

And so, we go with Goethe: “Enjoy what you can, endure what you must.”



Summary of Key Assertions for 2023

For the sake of clarity, we present the following list of key assertions for the economy, policy, and markets in 2023. We have deeper dives on each of the topics available for those that would like to see our supporting evidence and analysis for these assertions.

U.S. Economy: How Soon is Now?

1. We see the potential for of a more resilient U.S. economy in 2023 than current consensus expects (Bloomberg consensus of +0.3% Real GDP growth and a 65% chance of a recession). Given the resilience of economic data exiting 2022 (mainly the still-strong labor market that supports consumer spending), we do not expect a recession in the first half of 2023 (1H23). We will watch labor data closely to judge the likelihood of a second half (2H23) recession.
    - We think the surprising resilience is a function of lagged effects of Fed policy on the broad economy, including lower sensitivity to short-term interest rates because of a decade of cheap long-term funding being available to households and corporates (less frequent refinancing slows the impact of higher rates).
2. We expect year-over-year inflation to continue to moderate in 2023 due to tough comparisons from 2022 and continued fading impacts from pandemic disruption on Goods, while Services inflation keeps overall readings well above the Fed's 2% target.
    - We watch month-over-month (MoM) inflation as the best signal for the underlying inflationary impulse and note that the MoM benefit from 2022's Durable Goods disinflation may be starting to wane.
    - We see two key wildcards for an acceleration in inflation in 2023: China reopening/stimulus, and a return to rising oil prices.
    - It remains to be seen if the recent reacceleration in real wage and real spending growth will contribute to higher inflation readings through higher demand.

The Fed: Hate to Say I Told You So

1. Overall, because of above-target inflation and the risk that inflation will reaccelerate if policy eases, we think the Fed has fewer degrees of freedom to accommodate markets and the economy this cycle.
2. We think the Fed stays higher/tighter for longer due to an economy that is not weak enough to justify easing policy. Unlike current bond market pricing, we do not expect the Fed to cut rates in 2023.
3. For now, we think the Fed gets to 5.00-5.25% (the median forecast in the Fed's dot plot) in 1H23 and then pauses.
    - There are two key things that could push the Fed to go even higher: continued strong wage growth, and a reacceleration in MoM inflation (from factors like oil, China reopening, and resilient economic growth).
    - We think the bar is very high for the Fed to cut rates in 2023 because of the fear of inflation coming back if they return to stimulus and let financial conditions ease.
        - We think the only combination of macro outcomes that support rate cuts is *both low inflation* and *weak growth*.
        - We do not think that low inflation along with a resilient economy (still full employment/ tight labor market) would result in the Fed cutting rates because of the risk that easing policy into a tight economy would stoke higher inflation.

Macro: World Turning

1. **Rates:** We think that stronger data (potential for no recession, at least in 1H23) could keep upward pressure on yields across the curve, mostly as the Fed rate cuts that are priced in 2023 are removed from expectations
    - **10 Year Treasury:** We expect the U.S. 10 Year Treasury to be in a choppy range of 3.25% to 4.25%. Driving the downside would be weaker economic growth and a flight to quality (buying of U.S. bonds as a safe haven). Driving the upside scenario would be more resilient economic growth, which would keep pressure on the Fed to remain tighter for longer.
    - **2 Year Treasury:** We expect the U.S. 2 Year to be in a range of 3.75-4.75%. The downside would be driven by expected rate cuts by the Fed, while the upside would be driven by tighter for longer Fed policy. We note that the current level of the 2 Year is trading close to the same level as the Fed median dot for 2024 (4.1%), which reflects the Fed's own projections for interest rate cuts in 2024. We would interpret a pronounced movement lower in 2 Year yields as a bearish short-term sign that the U.S. economy is entering a recession and in need of rate cuts.
2. **Yield Curve:** Though the deeply inverted yield curve reflects financial market stress and distortions, the inversion is a weak signal for the timing of a recession. We instead look to a re-steepening of the yield curve (caused by a drop in short yields as they price in Fed cuts) as a better signal that a recession is imminent.
3. **U.S. Dollar:** We see more crosscurrents and uncertainty for the USD in 2023, compared to the singularly bullish tailwind in 2022 of rapid Fed tightening.
    - **Technicals:** The USD recently broke support at its 50-week moving average and has experienced a "death cross" where its 50-day moving average has fallen below its 200-day moving average (this is often interpreted as a sign of a weakening in a trend and possibly the beginning of a downtrend).
    - **Positioning:** Commodity Futures Trading Commission (CFTC) futures positioning is still long USD, which is not a tailwind for the USD but also not extreme enough to be a headwind.
    - **Relative Monetary Policy:** Stepped up hawkishness and inflation fighting from the European Central Bank (ECB) and Bank of Japan (BOJ) puts downward pressure on the USD relative to the Euro and Yen; strong U.S. data and higher inflation would keep the Fed hawkish and support the USD.
    - **Wildcard:** Potential flight to quality trade into the USD in the event of risk-off/liquidity event.

Equities: The Long and Winding Road to Nowhere

1. Despite 2022's bear market, we have low expectations for U.S. equity index returns in 2023.
    - Even if markets end the year near flat (due to fundamentals), we could experience a wide range of price levels (due to technicals, positioning, and sentiment) over the course of the year.
    - The consensus expectation "dip then rip" (weak markets to start the year followed by a more robust second half) may not materialize if more resilient global growth delays cuts to earnings estimates in the first half of 2023.
    - We think investors should be prepared to buy on weakness when oversold and near support (the key support level is 3,500-3,600 at the S&P 500's 200-week moving average), even if these levels are not the ultimate low of this bear market, as medium-term forward returns improve the further we fall.

- But we do not think investors should chase rallies when overbought and near resistance (the key resistance is the downward sloping 200-day moving average) unless we detect a turn in the fundamentals for earnings and/or valuations.

2. **Upside Case:** We see potential for low-single-digit to mid-single-digit upside at best for large cap U.S. equities in 2023.
    - We think upside in U.S. equities is capped by multiples that are just in line with long-run average today (S&P 500 ~17.1x forward price-to-earnings (PE) on current consensus earnings per share (EPS) estimates), meaning a moderate rally can quickly make markets expensive and unattractive given the level of interest rates and tight liquidity. Environment (prior peaks in valuations, outside of the pandemic bubble, ranged from 18.5-19x).
    - The most positive catalyst would be earnings growth that is much better than expected (current consensus is for 5% growth), which would make current valuations less stretched.
    - We note that if EPS growth is much better, it likely reflects a strong U.S. economy and labor market, plus inflation that is still hot; this would imply further Fed hawkishness, which could put more pressure on PE multiples.
    - We also note that an eventual upside from a pivot by the Fed to accommodation (which would boost valuations by making liquidity more abundant) would likely come after a period of pronounced economic, earnings, and market weakness.
3. **Downside Case:** If the downside scenario plays out, we see risk of mid-teens downside for U.S. equities at some point in 2023, making the total drawdown for this bear market over 30%, a level where forward returns become very attractive.
    - We must keep Walter Deemer in our minds when thinking about the downside: "When it comes time to buy, you won't want to."
    - We see a downside risk from both valuation and earnings.
    - **Valuation:** We expect PE multiples to continue to fall from current average levels if the Fed remains tight and interest rates remain high. Equity valuations are now expensive in relation to bonds as well given the jump higher in yields in 2022.
    - **Earnings:** We think current estimates for 3% growth could be too high, even if the economy proves to be more resilient.
        - We use a $200-220 (-10% to flat) as a reasonable range for S&P 500 2023 EPS, which reflects a mild recession starting in 2H23 to the downside and no recession in 2023 to the upside. Sub-$200 EPS would likely require a recession that hits sooner.
        - We think the biggest risk to 2023 EPS is margins, which could continue to fall from all-time highs simply because of slowing revenue growth as inflation and pricing power fades (unwinding the incremental margin benefit experienced from soaring revenue growth in 2021 and 2022).
        - This implies the risk of having an earnings recession even without an economic recession.
4. **Positioning:**
    - **Quality:** We continue to emphasize a quality bias in our recommended equity positioning.
        - We define quality as those companies with strong cash generation through cycles, solid balance sheets, capital discipline, and attractive business models that generate robust returns on invested capital.

    - We see quality as the core part of our recommended equity positioning, with the potential to compound value through cycles (meaning historically quality names are less likely to give back all their outperformance from the upcycle during a downcycle).
    - Quality will not lead at every phase of the market cycle. There will come a time when we will recommend adding higher-octane beta and risk to certain portfolios, but not until we see a turn in the liquidity environment (meaning support from Fed policy) that supports valuations for low-quality stocks.
- **Equal Weight vs. Cap Weight:** We think the largest weights in the index could continue to struggle due to still-high valuations, meaning the "average stock" or equal weighted indices could continue to outperform cap-weighted indices. We also note that the valuation of the equal weight S&P 500 is already below long run average.
- **Value vs. Growth:** We prefer Value over Growth. Growth stock valuations fell materially in 2022 due to rising interest rates and tighter liquidity but still remain elevated versus their own history and versus Value stocks. If interest rates remain elevated and liquidity remains tight, we would expect further downside in Growth stock valuations.
- **Sectors:** Our favorite sectors to start 2023 include: Energy (a hedge against higher inflation caused by oil prices), Healthcare (a cheap defensive), Financials (low valuations and easier set up for EPS growth in 2023), and Materials (exposure to China reopening and potential for a weaker USD). We emphasize quality in all these sectors.
- **Cap Size:** We still prefer Large (but not Mega) Caps over Small Caps given the lower quality, riskier nature of Small Caps, which typically only have sustainable outperformance at the beginning of an easing/liquidity cycle.
- **International and Emerging Markets:** We have turned more constructive on International and Emerging markets, noting the recent improvement in both relative and absolute trends, as well as the relative benefit versus the U.S. of lower valuations and greater Value sector exposure (financials, materials, industrials, etc.) overseas.
    - If USD continues to fall, further non-U.S. equity strength is likely, while if the USD resumes its uptrend, we would expect recent non-U.S. strength to fade.

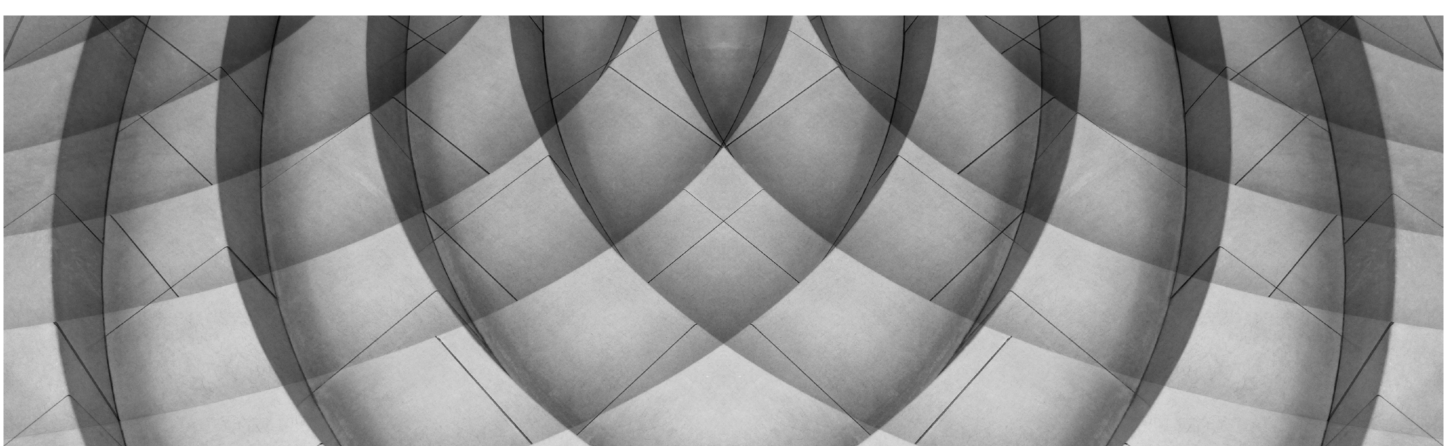
Fixed Income: Back in Black

1. After a terrible 2022, we expect the performance of fixed income, in general, to be better in 2023 driven by an expected continued moderation in inflation, along with the majority of central bank (CB) policy tightening already being complete for this cycle. We do expect major central banks to continue to raise rates in 2023, but clearly not to the extent that they did in 2022.
2. Bond yields could still come under pressure if economic growth surprises positively and central banks deliver more policy tightening than is currently expected by markets. For example, the U.S. bond market currently expects a much more dovish policy outcome for the Fed compared to current Fed guidance. If the Fed delivers on its policy guidance (raising rates to >5% and not cutting in 2023), then we could see a period where yields move higher/prices move lower.
3. **Volatility Abates:** As the Federal Reserve potentially moves to pause rate hikes, and inflation continues to moderate, volatility of interest rates is likely to decline. One potential source of volatility is the uncertainty about fiscal policy, which could rise if political discord in Washington DC causes a debt ceiling crisis. Overall, interest rate volatility is unlikely to recede in full, but we believe can calm enough for bonds to return to being a source of stable income and diversification in portfolios.

4. **Important Considerations:**
    - **Market Positioning:** Like light/short equity positioning, we see in fixed income a short positioning (meaning traders are positioned for bond yields to keep rising/prices to keep falling). This makes the bond market sensitive to incoming negative macroeconomic data such as a sudden rise in unemployment, with the potential for sharp rallies in prices/drops in yield as traders must cover their short positions. Note that this short position is not as extreme as late 2018, the prior peak in bond yields, but is still large enough to impact markets.
    - **Foreign Central Banks:** The Bank of Japan is the last major central bank to exit quantitative easing. The change in BOJ policy could be impactful because Japanese investors' may reverse their positions in U.S. Treasuries and push up yields (lower bond prices) as the Japanese Yen strengthens.
5. **Treasuries:**
    - **Short Term:** The yields of ultra-short maturity Treasury Bills and money markets could reach over 5% if the Fed delivers on its policy guidance, providing an attractive yield on capital with liquidity needs.
    - **Intermediate and Long Term:** In a market environment where the yield curve could remain inverted for some time as the Fed keeps rates higher for longer, the yields on 2Y to 7Y maturity bonds are relatively more attractive than longer-maturity bonds. If the U.S. economy continues to be resilient and possibly avoids a recession, long-maturity bonds are subject to whipsaw risks (volatility, climbing yields, falling prices) on stronger-than-expected economic data.
    - **Inflation Indexed:** Treasury Inflation-Protected Securities (TIPS) are pricing in an expectation that inflation will reach the Fed's target in the next two to five years. Yet, the real interest rate (which is the Treasury yield accounted for inflation) is at a five-year high. The TIPS market is pricing in a Fed that is willing to keep rates higher than needed to reach the goal of 2 percent inflation. TIPS are fairly valued at this stage of the Fed's tightening cycle.
6. **Munis:** We anticipate a better environment for tax-exempt bond investors in 2023 based in large part upon an expectation that the Fed will moderate the magnitude of future rate hikes. Munis will return to their traditional role of providing income (helped by current higher yields), and also dampening portfolio volatility.
    - Municipal credit conditions tend to lag the real economy, so serious budget cuts and greater rating agency scrutiny may be an issue for 2024, not 2023. With these issues still on the horizon, just possibly not immediate, we think investors should be sensitive to and cognizant of possible negative changes to municipal credit.
    - **High Yields Support Values:** Yields on tax-exempt AA Munis now range from 2.6% to 3.9% along the maturity curve. On a tax-adjusted basis, those yields jump notably higher to 4.4% to 6.6% for investors in the top federal tax bracket (40.8%). Further, if state taxes are considered, the tax-equivalent yields would move even higher. This can be supportive of Muni values in 2023.
    - **Crosscurrents:** Governor Gavin Newsom said California would face a $22.5 billion budget deficit in the coming fiscal year, the first for the most populous U.S. state since 2018, as the global stock market rout and efforts to cool inflation hammer its tax collections. Texas is forecasting a record $32.7 billion budget surplus as a surge in sales taxes boosted the government's revenue by billions more than what analysts had estimated.
    - **New Revenue Sources:** Cannabis will continue to expand at the state level, despite the product's illicit status under federal law. Almost 50% of the U.S. population can now legally purchase recreational marijuana. This will become an important tax revenue opportunity for states.

- **Sectors:** U.S. higher education institutions will continue to struggle with inflationary costs, labor pressures, mixed enrollment trends, and a continued need for elevated expenditure controls.
- **Structure/Duration:** We continue to favor “kicker” bonds and believe the best value is in bonds with durations of 7-15 years.

7. **Investment Grade (IG):** After a sharp decline in value in 2022, high-quality corporate bonds could perform more in line with Treasuries in the first half of 2023, if credit spreads remain stable. The second half of the year could see challenges return to high-grade corporate debt if: a) corporate borrowers significantly increase supply due to refinancing needs, b) the U.S. economic environment deteriorates, causing a widening of credit spreads as investors demand greater compensation for rising credit risks. We see the potential for a modest pickup in defaults in 2023.
    - **Duration:** We think it is prudent to remain underweight for a duration at an average of 4 to 5 years relative to the Barclays Aggregate bond index which has a duration of 7 years. Duration measures the interest rate sensitivity of bonds.
    - **Credit:** We prefer high-quality exposure in investment grade bonds with an average rating of BBB+ and limit positioning in Junk debt.
    - **Drivers:**
        - **International Demand:** Japanese institutional investors may participate less in the U.S. Treasury and corporate debt market as the Bank of Japan normalizes domestic interest rates. That said, ETF and mutual funds may see increased retail inflows to corporate bonds and Treasuries as investors look to capture higher yields.
8. **High Yield (HY):** If HY spreads (the extra compensation that lenders receive for lending to risk borrowers) continue to fall in 2023 (currently 448 bps vs. a peak of 600 bps in June 2022), we will turn more cautious on high yield, as investors will not be well compensated for risks, mostly if we start to see much lower growth or even a recession.
    - HY benefited in the second half of 2022 from low supply and high all-in yields (currently nearly 8%) that attracted investors back to the asset class, despite rising recession fears.
    - **Recession Sensitivity:** High Yield is most sensitive to a recession as it is the lower, speculative part of the capital structure that is prone to refinancing risk that rises in an economic downturn. We would expect high-yield spreads to widen materially and defaults to rise if the U.S. were to enter a recession in 2023.
9. **Floating Rate:** We are watching closely for signs of credit risk and financial strain within the floating rate market, as the longer interest rates remain elevated, the more pressure there is on floating rate borrowers. Default rates could rise for senior loans, bank loans, and leveraged loans either in a protracted high-rate scenario and/or a recessionary scenario. This could offset the benefit from higher base rates for investors in floating rate instruments.



Real Assets

1. **Real Estate:** 2023 is likely to be another challenging year for the real estate industry as higher interest rates weigh on transaction activity and pricing.
    - Long-term, well capitalized participants in real estate can be rewarded in this environment by not having to complete transactions in these more challenged markets.
    - We do not expect the period of rapid price appreciation and rent growth from 2020-2022 to continue in 2023. We anticipate much slower rent growth in 2023, while price appreciation may slow materially, with the potential for price declines in some geographies. This could put pressure on highly leveraged and/or rate-sensitive real estate investors.
2. **Commodities:** Commodities could experience upside shocks if supply or demand changes meet inventories that are generally tight across the commodity complex. The potential for a weaker USD and the return of China as a major commodity consumer are key considerations for commodities in 2023. We also note there may be little geopolitical premium priced into commodities currently, following the complete roundtrip of the initial commodity price gains after Russia invaded Ukraine in early 2022.
    - Oil
        - **Upside Drivers of Oil:** China reopening causing a rebound in global oil demand, Russia tensions resulting in reduced oil supply, U.S. SPR replenishment, and tight inventories
        - **Downside Drivers of Oil:** Weak global demand due to a recession, continued warm weather (for natural gas)
    - **Precious Metals:**
        - Recent strength in Gold is notable given the divergence from real yields (Gold and real yields have often been inversely correlated, yet Gold has been moving higher recently despite real yields remaining elevated), which could partially be the result of large central bank buying.

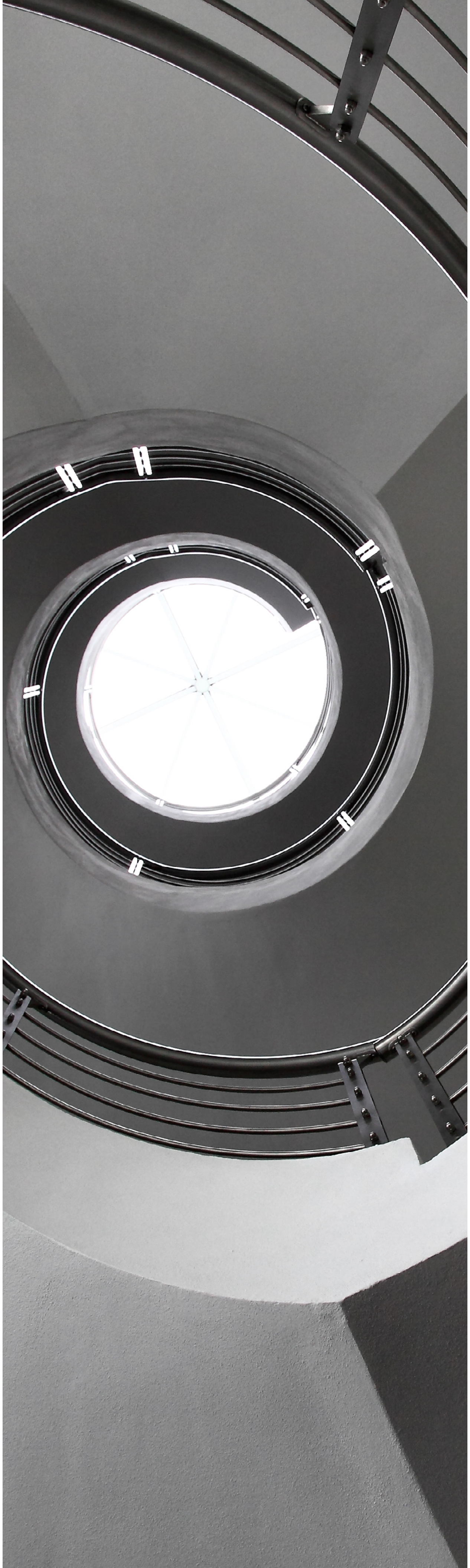
Alternatives: Steady as She Goes

1. **Private Markets:** We expect 2023 to be a year of bifurcated performance in private markets. Leaders could be those who benefit from recent disruptions and changes in this new macro and market environment, such as being a source of much-needed liquidity. Laggards could be those that see their strategies or business models challenged by a backdrop of high interest rates, low liquidity, and general risk aversion. We do expect the weakness experienced in public markets in 2022 to start making its way into related private market valuations and performance in 2023.
    - **Potentially Stable, Enhanced Return:**
        - **Private Credit:** Private Credit has been a key winner in the rising rate environment both in terms of the increased yield but also in terms of the increasing leverage driven by the tougher market. We see a lending environment that has shifted in favor of private lenders, as banks have pulled back from direct lending, allowing direct lenders to demand more stringent financial covenants and protection compared to recent years. Demand for financing remains high, including from private equity sponsors who need debt to finance deals, so private lenders are positioned to fulfill this market need. Given the expectation of continued conservatism by banks, private credit is in a position to provide needed liquidity and financing to small- and medium-sized businesses. Rates are likely to come

in slightly as fewer transactions are anticipated to take place but the lenders now have the ability to increase loan rates and have been able to introduce financial covenants for downside protection for the first time in years.

- **Secondaries:** We see the potential for secondaries to be the key beneficiary of the recent disruptions in both public and private markets, which has likely created an increased number of distressed private market investors. As providers of liquidity to current private market investors, we expect secondaries funds to be able to demand increasingly large discounts for their purchase of these fund interests. We expect secondaries to play a key part in bolstering the returns of a private equity portfolio.
- **GP Stakes:** We like GP Stakes as an opportunity to take advantage of the yield created at private equity firms and potentially create meaningful income in a tough environment. The current market environment likely results in a moderation in private equity activity (i.e., fundraising) and returns, but we expect top tier firms to continue to be able to raise capital and grow their firms.

- **Principal Growth:**
  - **Venture Capital:**
    a. **Growth:** Flat is the new up and down is the new flat. We expect growth stage companies to continue to reprice lower after their valuations reached astronomical levels in late 2021, early 2022. On the back of this repricing, there could be a potential opportunity to make investments in great companies at more reasonable multiples. However, the extent of this repricing may not be experienced until we have a recession. For this reason, we are not recommending making large investments in Growth stage VC, as we see the risk of further repricing.
    b. **Early-stage:** Early-stage businesses tend to be more insulated from public markets as they are the furthest away from having to rely on public market financing (IPOs, debt markets) in order to grow their businesses. We believe these companies, where valuations did not fall dramatically in 2022, can continue to be poised for success. Despite a tighter liquidity environment and risk-off sentiment, we do not see venture investors pulling back from seed stage investing at this time given the continued desire for attractive returns in the long run. If we enter a recession, we believe early-stage companies can benefit as they look to disrupt larger companies that are often more defensive in the face of a tougher environment.
  - **Private Equity:**
    a. **Buyout:** We expect there to be a divergence of returns in private equity funds with key winners and losers. We believe the winners will be those funds that focus on recession-resistant, non-cyclical businesses using lower levels of leverage. We see the losers as those who were not prudent about managing leverage and are now faced with refinancing in the midst of much higher rates and much tighter liquidity. Without ultra-cheap leverage to create higher returns, we think return expectations for the buyout space will come down considerably, meaning it is unlikely returns will continue to be in the 18-20% range experienced in recent years. Despite the lower returns, we expect returns to be stable at these new lower levels, while we see potential for the illiquidity premium to public equities to widen on the back of lower public equity returns.



b. **Growth:** As with venture growth, we expect this to be a tough environment in the short term, but one that could lead to significant opportunities during and after a period of weaker economic growth. We expect strong business models to prevail, with a key driver of growth in the next cycle being the ability to take market share from peers in this challenging environment.

2. **Hedge Funds:** Our preferred exposure is market neutral-hedge funds, which have the potential to generate attractive relative and absolute performance in 2023, after a strong 2022, driven by continued high equity, bond, and macro volatility. We expect directional hedge funds to continue to have choppy performance with key winners appearing primarily from specific trades and market views (making the return stream less stable than what we expect from market neutral).

3. **Structured Strategies:** We continue to find ample opportunities within structured note markets given higher interest rates, elevated market volatility, and a recent period of negative index returns. With our 2023 upside Equity scenario seeing the potential for low to mid-single-digit returns in U.S. large cap and the possibility for mid-teens downside, we have a preference for two types of notes within our managed Structured Note strategies:

   - **Fixed Return Notes:** These structures generally provide investors stable returns via the fixed return level or coupon rate, with some degree of downside protection that defends against loss of upside return, principal, or both. In market environments where economic conditions are uncertain or negative equity outcomes are probable, these Fixed Return Notes may offer an investor the ability to achieve positive total returns even when more traditional investments like equities, may not.
   - **Hybrid/Convertible Notes:** This structure offers the ability to outperform an underlying index through a year-one Fixed Call Return or Leveraged Upside Participation, if the note is not called at year-one. While these structures do require the underlying equity index performance to be positive on the call observation/maturity date to receive a positive note return, the note returns achievable have the potential for attractive returns.

Important Disclosures

All data is as of 1/17/2023 unless otherwise noted.

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