Chief Investment Office

March Chart Update

March 2024

March Chart Update

- The durability of Tech/Growth dominance, plus not all Tech is created equal
- Signs of life in other sectors
- The path forward for Fed policy
- The outlook for and message from yields

Tech Keeps on Keeping On

Technology Sector Absolute (top) and Relative to the S&P 500 (bottom)

Source: NewEdge Wealth, Bloomberg, as of 3-7-24

Tech remains in a powerful uptrend on and absolute and relative basis.

This is despite flows and valuations both being near extremes (aggressive inflows into Tech and return to peak 2021 valuations).

This is clearly a momentum driven market (the winners keep winning). We see Tech strength as a necessity for broader market strength because of the sector's large weight in the S&P 500.

But Not All Tech is Created Equal

Semiconductors & Semiconductor Equipment Industry vs. S&P 500 Index

— S&P 500 Semiconductors & Semiconductor Equipment In…

Source: NewEdge Wealth, Macrobond, Bloomberg S&P Global

Technology Hardware, Storage & Peripherals Industry vs. S&P 500 Index

— "S&P 500 Technology Hardware, Storage & Peripherals (I…

Source: NewEdge Wealth, Macrobond, Bloomberg S&P Global

Source: NewEdge Wealth, Bloomberg, as of 3-7-24

Incredible strength in Semiconductors is masking weakness in Tech Hardware.

This is effectively NVDA (the largest semi weight) vs. AAPL (the largest Tech hardware weight, by a factor of 10x).

Trees don’t grow to the sky and parabolic moves higher eventually come to an end (and they typically don’t end just by going sideways…). Respect the short-term momentum in Semis, but look for a negative volatility “sea change” to monitor if the uptrend is stalling.

It's Not Just Tech: Banks Firming

Bank Industry Absolute (top) and Relative to the S&P 500 (bottom)

Source: NewEdge Wealth, Bloomberg, as of 3-7-24

Despite regional banking headlines (NYCB troubles and capital raise), banks are performing well on both an absolute and relative basis.

It's Not Just Tech: Industrials Firming

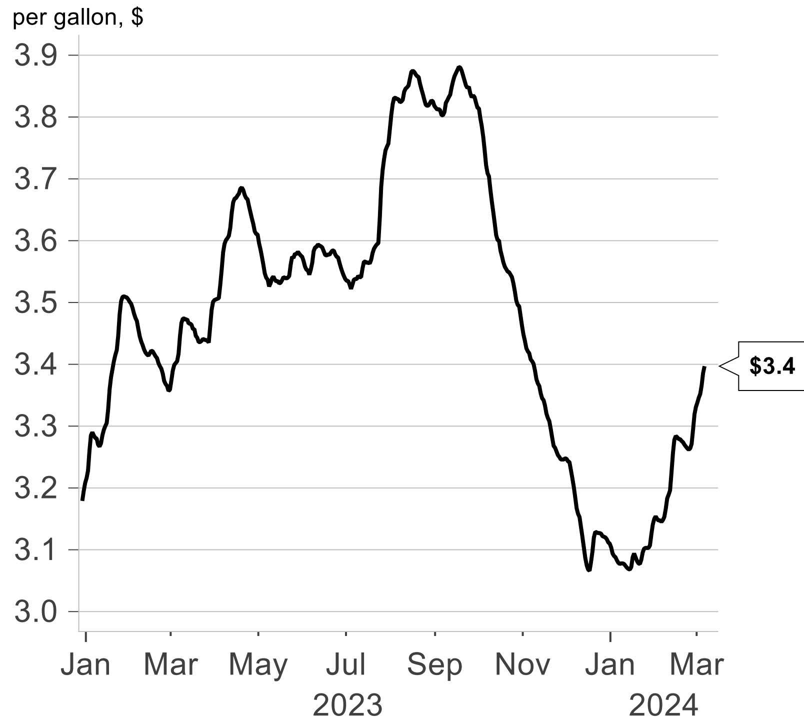
Industrials Sector Absolute (top) and Relative to the S&P 500 (bottom)

Source: NewEdge Wealth, Bloomberg, as of 3-7-24

Industrials performance has also been strong, likely reflecting the bottoming in Manufacturing PMIs *and* the large fiscal stimulus benefitting this cyclical sector.

The biggest watch item for Industrials is stretched valuations. At 21.5x forward the sector is very expensive, which may not be an issue immediately for the sector, but should not be ignored.

The Path Forward for the Fed



Source: NewEdge Wealth, Bloomberg, as of 3-7-24

The market has gone from expected nearly 7 cuts from the Fed in 2024 in January to 3.7 cuts today.

We still see the possibility that this pricing of Fed policy cuts is too aggressive *if* economic data continues to be resilient or if inflation data is more persistent.

On inflation, we are watching gas prices closely, as falling gas prices since the summer have been an important driver of the Fed's "immaculate disinflation". Gas prices have turned higher (+10%) and could be a wrinkle in expectations for continued headline CPI moderation.

Watching Yields

U.S. 10 Year Treasury Yield

Source: NewEdge Wealth, Bloomberg, as of 3-7-24

10 Year Treasury yields rallied right up to resistance (100-day moving average) and rolled over.

We think yields are in a range of 4.00-4.25% in the short term.

A break above that range likely is reflective of strong data, a higher for longer Fed, and possibly increased Treasury issuance.

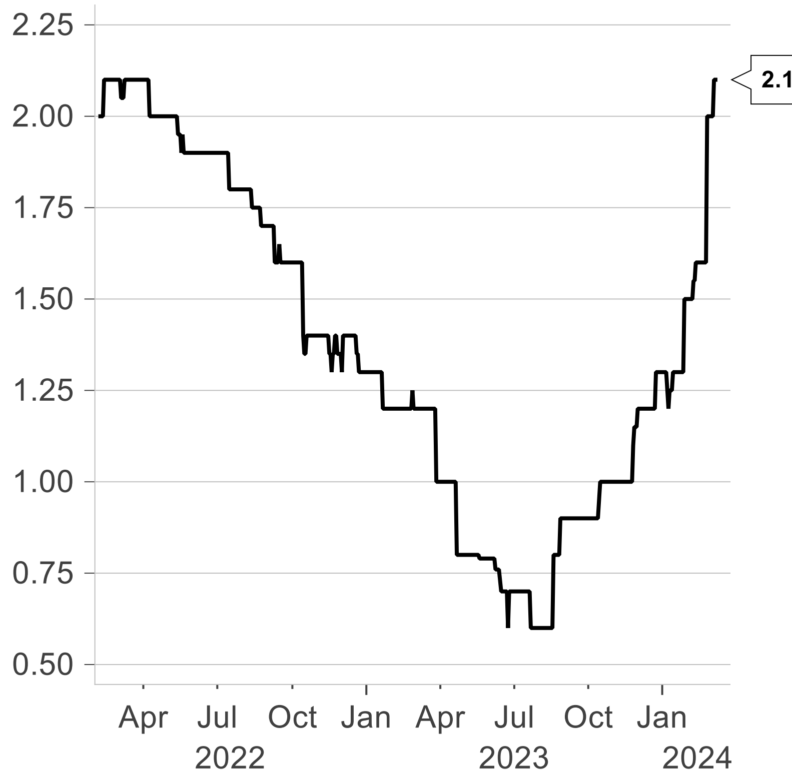
A break below that range could be reflective of rising growth fears and increased expectations for Fed easing.

Yields Reflecting Softer Data

10 Year Treasury Yield and Citi Economic Surprise Index

Source: NewEdge Wealth, Macrobond, Bloomberg

Bloomberg Consensus 2024 Real GDP Forecast



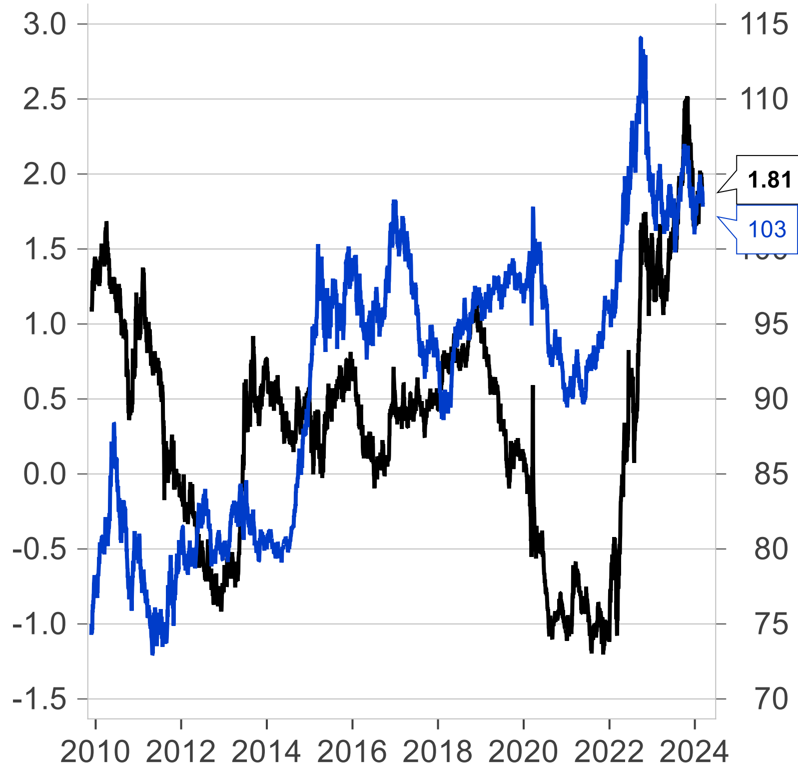
Source: NewEdge Wealth, Macrobond, Bloomberg

Source: NewEdge Wealth, Bloomberg, as of 3-7-24

In fact, the U.S. Treasury Yields are moving in tandem with economic surprises which have turned lower (when this index moves lower it is reflective of economic data coming in lower than expected).

For now, lower economic surprises is not resulting in lower GDP forecasts (which have been revised up from 1.2% to start the year to 2.1% today), but this is an important watch item going forward, as rising growth estimates have underpinned bullish sentiment for risk assets.

The Curious Case of the Gold in the Night



Source: NewEdge Wealth, Bloomberg, as of 3-7-24

Gold is surging to new highs, which could be sending an important message about other assets.

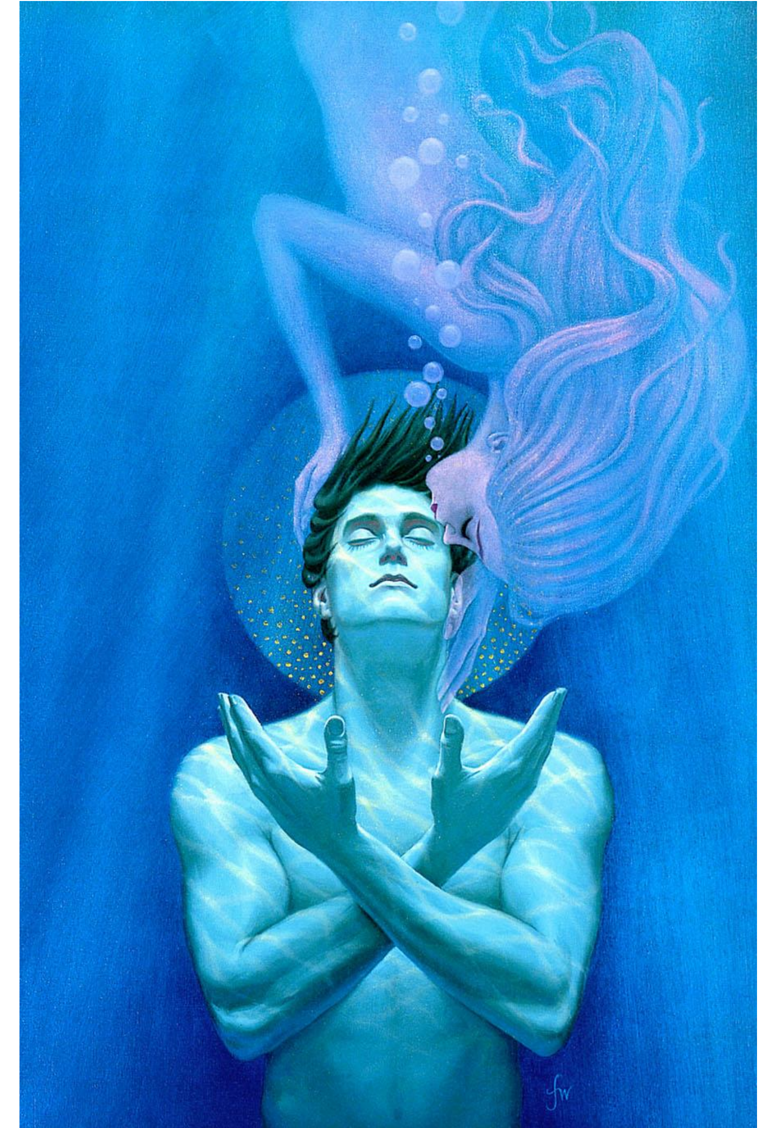
Gold typically does well in lower real yield environments and/or weaker USD environments. Gold also captures risk-off angst as well as government funding/deficit fears.

If gold continues to rally, it *could* be sending a signal about a ceiling in the USD or real yields. We'll see…

Market Overview

2024 Outlook: Stranger in a Strange Landing

- We must appreciate the unique, and in part unprecedented, *strangeness* of the current economic and market cycle
- The pandemic shut down and policy response has had long-tail impacts, continuing to skew data, challenging long-held macro and market relationships and sending conflicting signals
- Instead of Hard, Soft, or No, **we expect a *Strange Landing* in 2024**, where data is conflicting, cycles are discordant, and policy is potentially distorting; we think this will result in wide trading ranges (but not necessarily trends) for markets, sudden changes in data/narratives, and unexpected market reactions
- This *strangeness* requires investors to have the following traits:
    - **Vigilance**: Complacency could be dangerous in 2024, either by extrapolating recent trends in data or ignoring crowded consensus sentiment/positioning
    - **Selectivity**: We see potential for strong returns in *selective* areas in 2024, with a wide gap between winners and losers
    - **Responsiveness**: We see the potential for wide trading ranges over the course of 2024, creating opportunities for investors



Source: Illustration History, cover illustration for *Stranger in a Strange Land* by Robert A. Heinlein

The Strange Landing

Strange Landing
Economy: Growth slows from 2023's rapid pace, but initially avoids a recession helped by fiscal spending, easy financial conditions, and continued labor market resilience. Data continues to tell conflicting stories, with signs of weakness contrasting with signs of recovery. Potential for rapid changes in data. Fed Reaction: The Fed aims to tweak policy lower, but not signal outright easing for fear of stoking growth/inflation. Weak data necessary for confirmation of aggressive easing. Easing could be interrupted if USD weakens and commodities rally, or if wage growth rebounds. Macro: Yields volatile but upwardly biased on resilient economic data not confirming Fed rate cut expectations, while further yield downside dependent on weaker economic data. USD lower if Fed perceived as easy vs. peer central banks, but higher if Fed does not deliver easing. Risk Asset Reaction: Resilient growth keeps equity credit fundamentals healthy, but interest rates start to bite in 2H24 as refinancing begins at higher rates. Valuations whipsawed by liquidity, positioning/sentiment, and 2025 recession/EPS risks.

2024 Outlook Summary

Macro and Policy

- **Recession:** no recession in 1H24, and a higher probability of recession in 2025 vs. 2H24, though we are monitoring changes in data closely
- **Labor Market/Consumer:** the labor market remains tight, supporting U.S. consumer, but watching signs of peripheral easing in data
- **Inflation:** we expect continued moderation, but are atune to risks that inflation remains sticky (above 2%) or reaccelerates
- **Fed Policy:** we expect 3 cuts in 2024, with more cuts dependent on economic data weakening materially
- **Treasury Policy:** large deficit spending continues, with funding of the deficit a key influence on liquidity

Fixed Income

- **Ranges:** similar to 2023, we expect wide ranges for Treasury yields in 2024 with upside driven by better economic data/stickier inflation/a tighter Fed/Treasury issuance, and downside driven by weaker economic growth/soft inflation/an easier Fed
- **Credit:** all-in yields remain elevated, but tight starting spreads and increasing issuance credit upside risk to spreads over the year
- **Munis:** finding opportunities in selective parts of the muni curve and credit ratings
- **Portfolio Positioning:** opportunistically adding to duration, highly selective about credit exposure, looking outside of the index

Equities

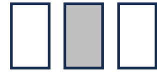
- **Ranges:** we expect a wide trading range for equities in 2024, with the potential for an uptick in volatility, with a very different starting point than 2023 on valuation/sentiment/positioning
- **Upside:** better EPS growth than expected (productivity, economic strength already baked in), liquidity remains highly supportive to keep valuations elevated
- **Downside:** weaker EPS growth than currently expected for 2024/2025, liquidity becomes a headwind to already-elevated valuations
- **Portfolio Positioning:** continued focus on quality, selectivity imperative (mostly in beaten up indices)

Alternatives

- **Themes:** cautious optimism, acknowledging that the higher cost of capital requires greater selectivity across private strategies, while also creating opportunities to benefit from disruption to fundraising
- **Private Equity:** focusing on managers with operational value-add, instead of financial engineering, primarily in lower middle market; secondaries are attractive, along with selective GP stakes
- **Private Credit:** “a golden age *for some*” a keen focus is necessary on underwriting given the proliferation of new entrants
- **Volatility Strategies:** the potential for higher volatility in 2024, while issuer credit remains healthy and an important watch item

Asset Allocation for 2024

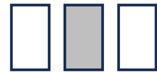
Fixed Income



Remain Neutral

- *Rationale:* Interest rate volatility is likely to remain elevated as rates remain in broad ranges with the high end driven by resilient growth, higher inflation, and/or a tighter Fed, and the low end driven by weakening growth, slowing inflation, higher issuance and/or an easier Fed. Current yields are attractive relative to recent history and broad fixed income can serve as a portfolio hedge in a recessionary environment.
- *Preferences:* We look to selectively add duration if yields rise, while also being selective within credit given tight spreads and rising issuance. Munis offer opportunities at selective parts of the yield curve and credit quality spectrum.

U.S. Equity



Remain Neutral

- *Rationale:* Valuations begin 2024 at elevated levels for major indices, which reduces upside potential from multiple expansion. and while EPS estimates are optimistic for 2024 and 2025, upside could be driven by improved efficiency and resilient growth.
- *Preferences:* We continue to emphasize quality across equity sub-asset classes. We are balanced between Growth and Value and prefer Large Caps over Small Caps broadly (though see high potential to add value in Small Caps).

International Equity

Remain Neutral

- *Rationale:* International equities provide opportunity for selection within indices given low valuations and improving earnings trends. International markets are more exposed to a global economic slowdown but valuations are attractive relative to history.
- *Preferences:* We prefer developed over emerging markets, due to better earnings trends for developed companies and a less uncertain regulatory backdrop compared to emerging markets.

Alternatives

Remain Overweight

- *Rationale:* We are cautiously optimistic, seeing changes to the cost of capital (interest rates moving higher) as creating opportunity for select managers to add operational value, while opportunity is created in the current disruption to fundraising.
- *Preferences:* We prefer private markets exposure over hedge funds. Within private markets we prefer lower middle market private equity, secondaries, GP stakes, early stage venture, thesis-driven infrastructure, and select private credit.

Real Assets

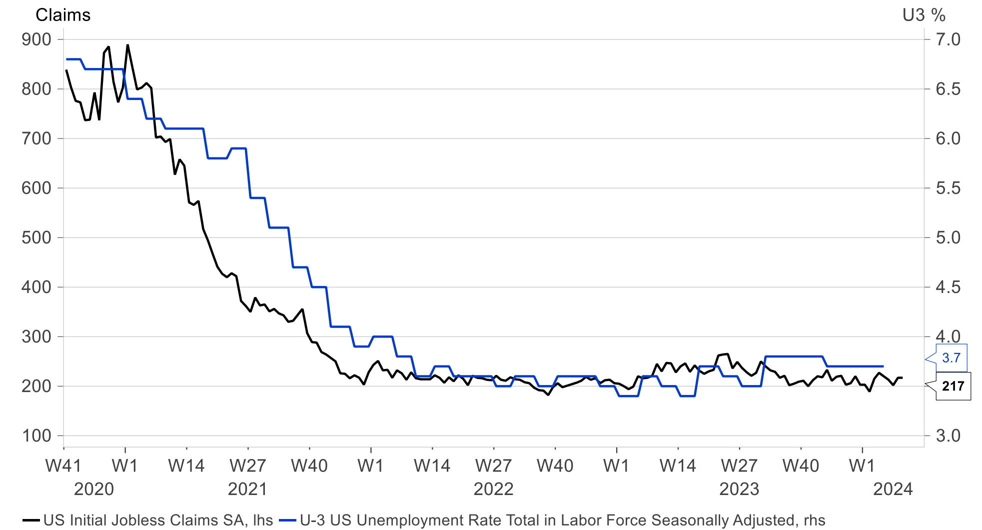
Remain Neutral

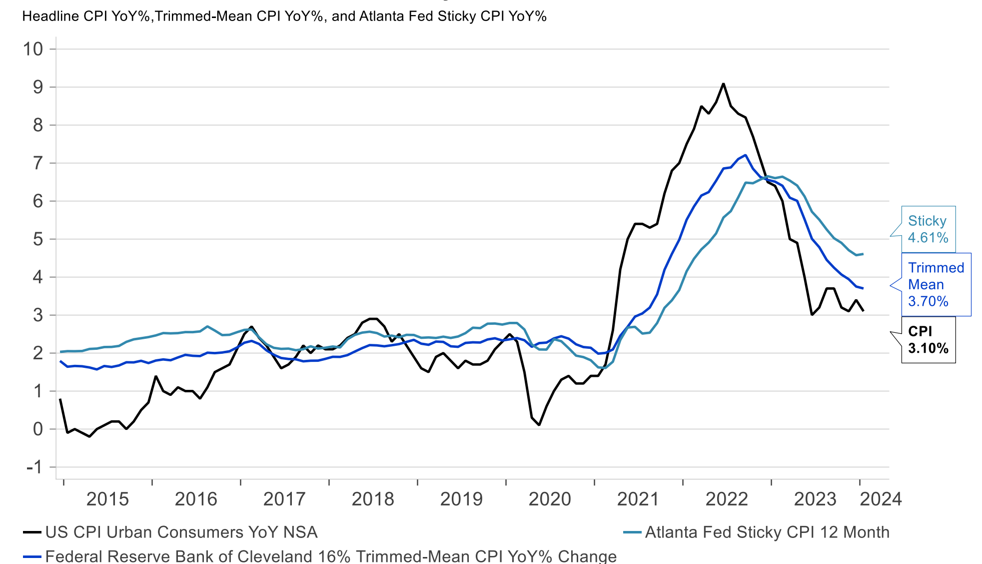
- *Rationale:* Inflation has peaked, but geopolitical tensions remain, which could disruption supply and demand for some commodities.
- *Preferences:* We prefer TIPs and select commodity exposure. Real estate continues to be in a correction, but opportunity for new-money, high quality and opportunistic distressed are emerging, given lower valuations.

U.S. Economic Outlook

Key Points

- **Recession?:** We do not expect a recession in 1H24 and will continue to monitor data to gauge risk of weakness building into 2H24, or, more likely, 2025; Bloomberg recession probability of 50% for the next 12 months is likely too high
- **Growth:** We see upside to the consensus 2024 GDP growth estimate of 1.3%, but not as much as 2023 due to tougher YoY comps and a higher starting point
- **Inflation:** In early 2024, we expect inflation to continue to moderate, but are watching for signs that inflation could either remain sticky above 2% or reaccelerate due to factors like gasoline prices and wage growth
- **Labor:** As the U.S. economy averts a recession, we expect the labor market to remain tight, though we are monitoring closely for signs of "fraying"/slowing in secondary labor data as a warning sign of potential softness to come
- **Consumer:** With a still-tight labor market, continued healthy wage growth, and moderating inflation, we can expect consumer spending to remain resilient in 1H24 thanks to positive real wage growth; consumer balance sheets in aggregate are healthy, but signs of rising defaults should be monitored closely
- **Manufacturing:** After over a year in contraction, we expect U.S. PMIs to begin to recover in 2024
- **Housing:** Housing will likely remain in a distorted cycle in 2024 given locked-in low mortgage rates for existing homes; note: housing construction has begun to rebound, reflecting demand for new homes





Source: Bloomberg, NewEdge Wealth, Data as of 3/6/24

Monetary Policy Outlook

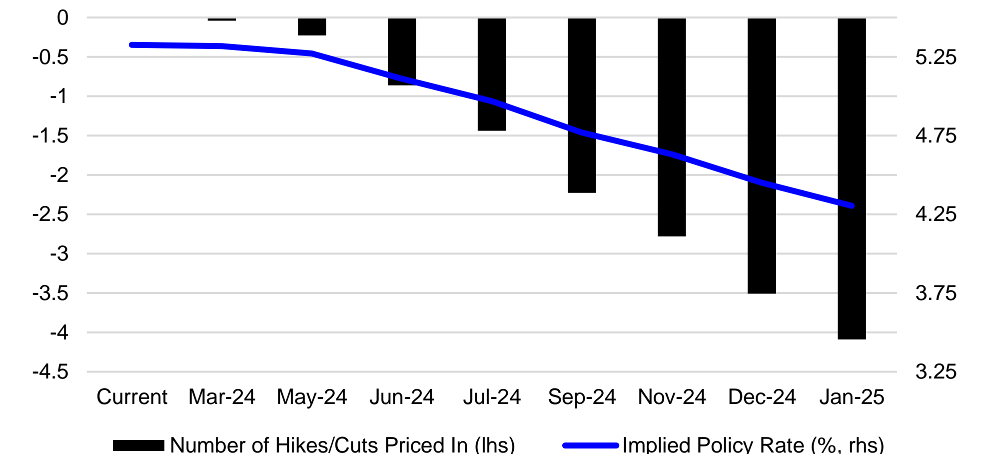
Monetary Policy

The Fed Wants to Tweak Not Ease if Economy Remains Firm

- We expect the Fed to tweak rates lower by ~75 bps (3 cuts) as inflation moderation gives the Fed room to ease policy, but a resilient economy, along with fears of inflation's return, keeps the Fed from wanting to endorse the 7+ cuts priced in by January 2025
- We think that economic data would need to weaken (beyond the GDP slowdown and unemployment uptick baked into the Fed's current 2024 forecast) to justify the current bond market pricing of policy
- The Fed will likely change its Quantitative Tightening (balance sheet shrinkage) plans in 2024, citing a rundown in Reverse Repo balances (driven by Bill issuance) and a desire to sustain Reserves above a "desired buffer"; QT plans also interplay with Treasury funding decisions

Key Observations:

- **Financial Conditions are Easy: F**inancial conditions are back to their easiest levels since early 2022/late 2021; if sustained, this would be stimulative to nominal economic growth.
- **The Full Impact of Interest Rates Have Not Yet Been Felt:** The long-tail of over a decade of QE (with the fever pitch of ultra-easy policy in response to the pandemic) has resulted in many borrowers not feeling the full impact of higher rates after the great refinancing wave of 2020/2021; the end result is a delayed/dulled real economy impact of tighter Fed policy to growth



Source: Bloomberg, NewEdge Wealth, Data as of 3/6/24

NewEdge WEALTH

Fiscal Policy Outlook

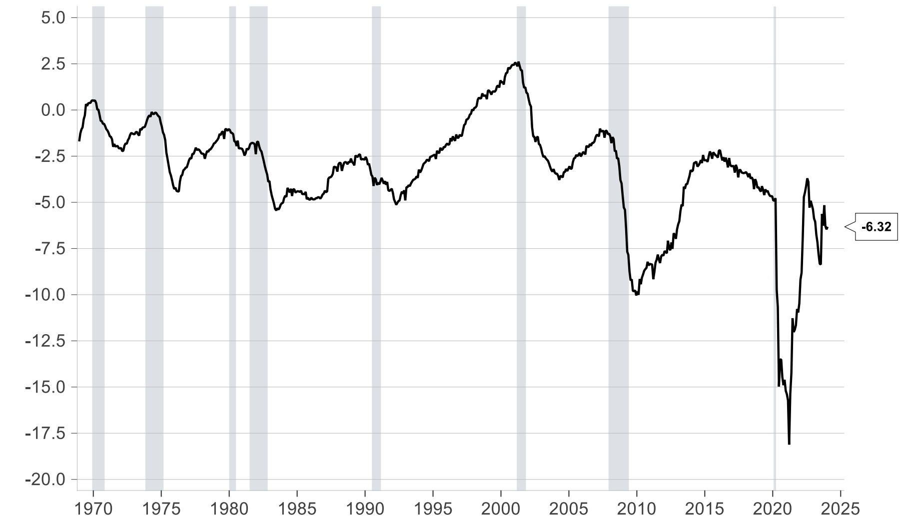
Fiscal Policy

Big Deficits Need Big Funding

- The U.S. budget deficit is expected to reach $2 trillion in fiscal 2024, and is running at 6.5% of nominal GDP, a historically high level without a recession or war (and on a strong numerator of nominal GDP)
- To fund this deficit, the Treasury will issue $2 trillion in debt in 2024 (double from 2023)
- TBAC (Treasury Borrowing Advisor Committee) projects over a 20% increase in coupon issuance across the curve in 2024
- The key watch item is the mix between short-term Bills, and medium/long-term Notes and Bonds: 2023's upside liquidity surprise came from Treasury's move to fund more with Bills as longer-term rates rose, but Bills now make up 22% of Treasury debt outstanding (TBAC has a target of 15-20% for Bills)

Little Indication from Either Party for a Desire to Change Fiscal Trajectory

- Compared to coming out of the GFC, there has been a notable shift in voter and legislator sentiment about deficits, exemplified by neither party emphasizing a "fiscal prudence" or "balanced budget" platform (the 2020 observation from Marko Papic about the "median voter" caring less about deficits, so Washington would care less about deficits continues to look prescient)

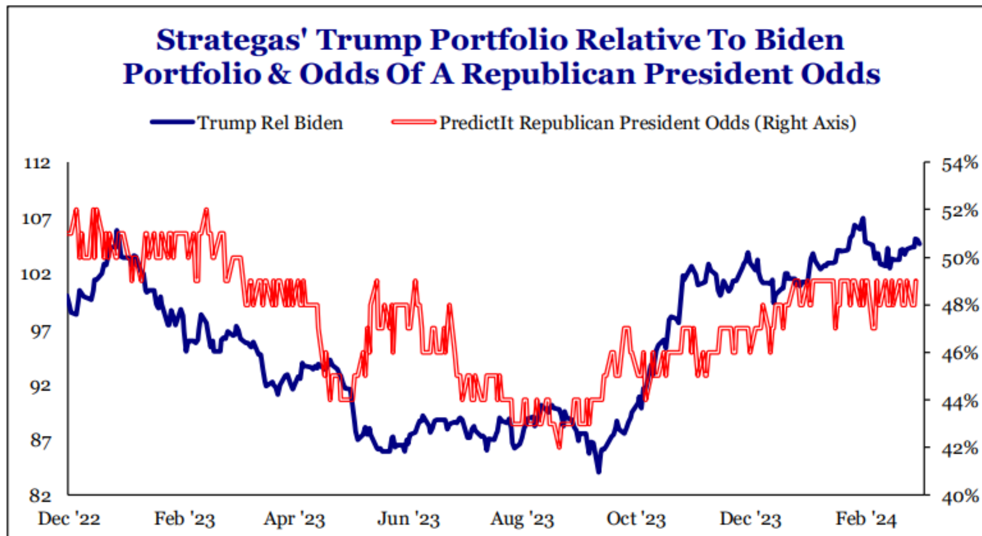


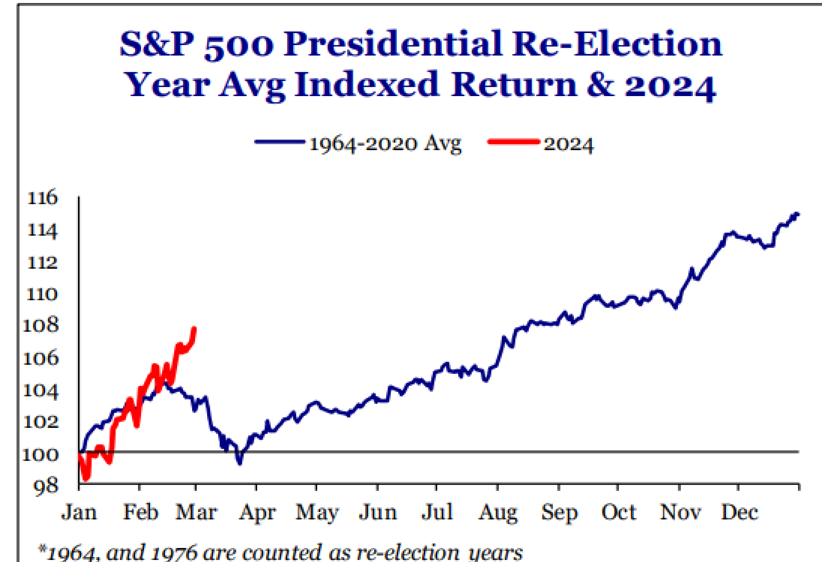
Source: Bloomberg, NewEdge Wealth, Data as of 3/6/24

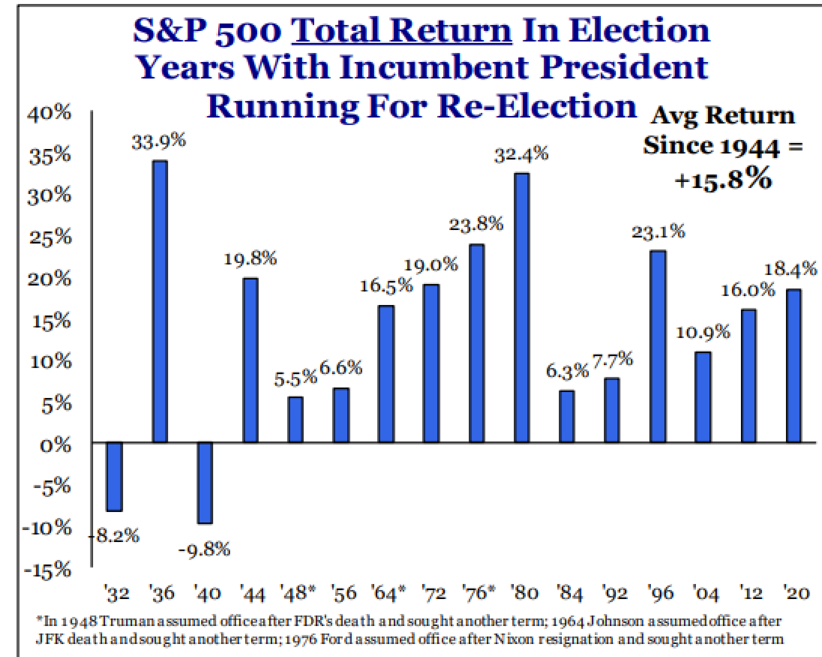
Election Outlook

2024 Presidential Election

- **Rematch**: With Super Tuesday behind us, a rematch of the 2020 election is set to play out this year, despite polls 60% of Americans *don't* want this rematch
- **Black Swan?** Though a rematch looks most likely, pundits still discuss the (low) potential for a Black Swan surprise that sees another candidate run given age considerations and legal challenges; Haley is not expected to run 3rd party, as she eyes a 2028 Republican bid
- **Policy Priorities and Risks:** neither party appears to be running on an "austerity agenda" suggesting deficits will continue to expand, a key watch item for the Treasury market; watch Trump commentary about trade and Biden commentary about taxes, which could impact corporate profits
- **Market Response:** equities have typically been positive in re-election years, though this year's rally has run well ahead of the historical average path; watch Trump and Biden stock baskets as a proxy for election odds







Source: Strategas, as of March 4, 2024

2024 Equity Outlook

Key Points

S&P 500 Range

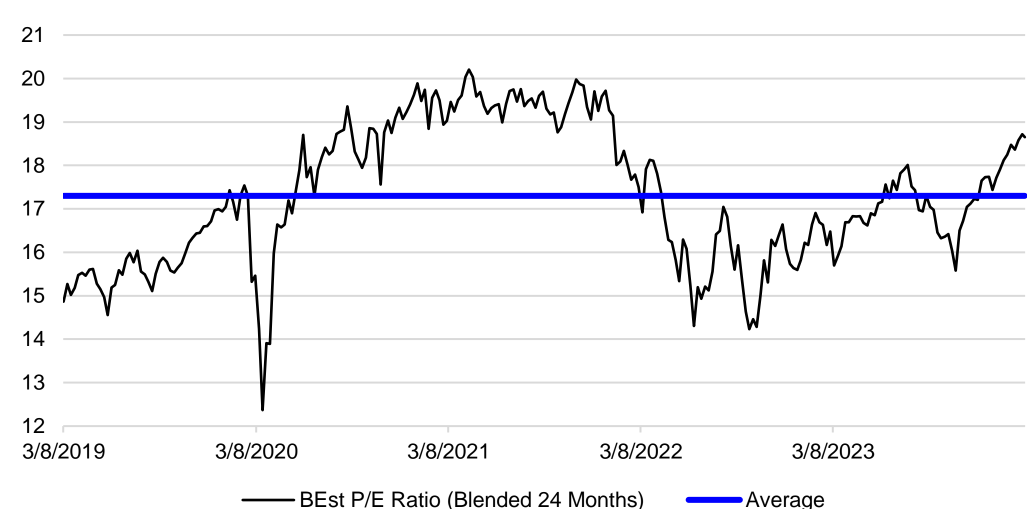
- We think it best to approach the S&P 500 in 2024 with a range and plan in mind if the high or low end of the range is experienced (regardless of the dominant narrative/emotion at the time).
- We could see the S&P 500 trade in a wide range over the course of 2024 (4,200-5,200), and yet make little trending progress (note we had a 1,000-point trading range in 2022 and 2023!).
- This range assumes no recession (further downside if a recession materializes that hits corporate earnings).

S&P 500 Earnings

- Current consensus: $243 for 2024 (+11%), $270 for 2025 (+10%).
- Upside Potential: Driven by a better economy than expected (though this may have limited impact on EPS estimates), better margins driven by productivity, or improved sentiment that sparks investment/M&A.
- Downside Risk: Weaker economic growth than expected, or an already high bar for margin expansion baked in.

S&P 500 Valuation

- PE is starting 2024 at an elevated 19.7x forward (20x was the ceiling in 2023, 19x was the ceiling in 2018 and early 2020).
- The "average" stock PE is no longer "cheap" after a 20% expansion in the equal weight S&P 500 PE to end 2024.
- An easier Fed/liquidity helps PE valuations, while a tighter Fed/liquidity could bring valuations back down towards average.

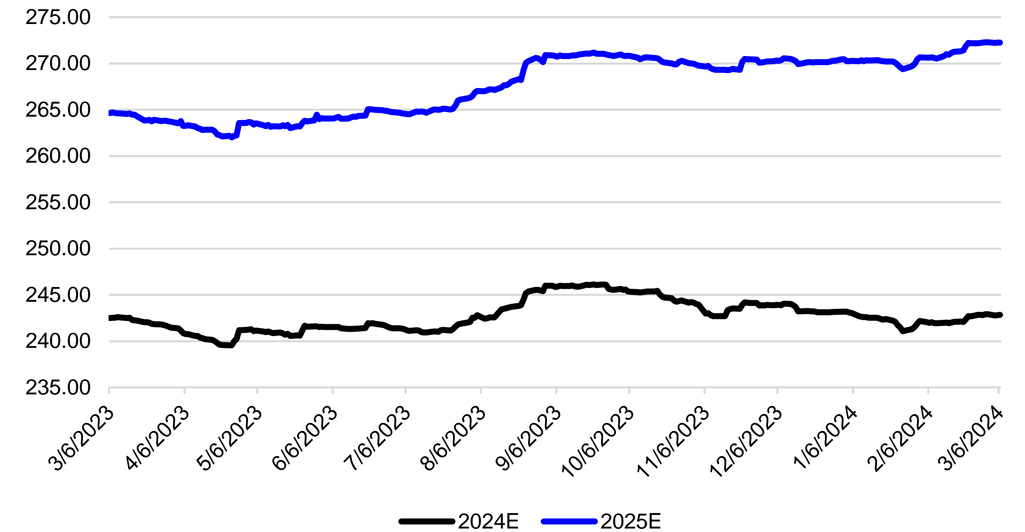


Source: Bloomberg, NewEdge Wealth, Data as of 3/6/24

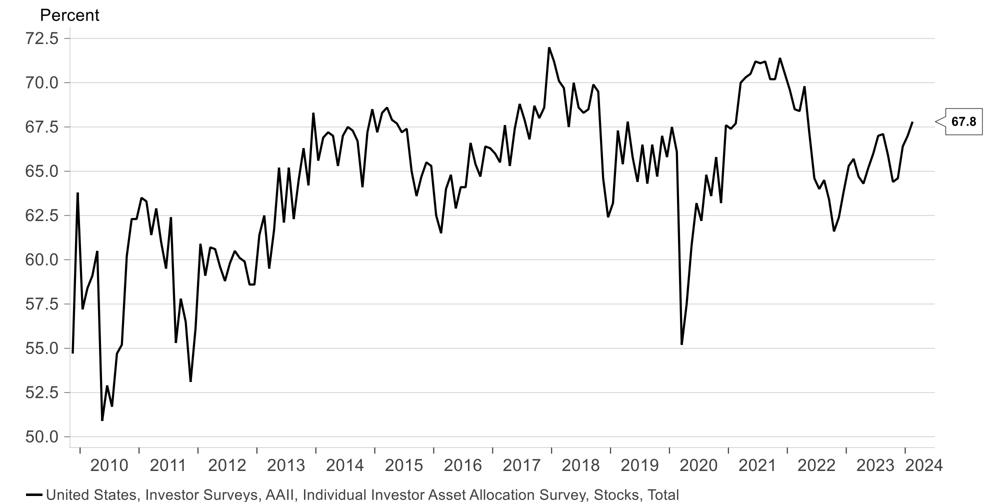
2024 Equity Outlook

Factors That Will Drive Equities in 2024

- **Technicals**: Encouragingly, the momentum and breadth thrust at the end of 2023 has historically led to above-average returns over the next 12 months; watch for tactical signs of overbought/oversold over the course of 2024 to interpret a potentially wide trading range.
- **Earnings Revisions**: 2023 benefitted from EPS estimates remaining steady through the year (despite recession fears); an EPS revision downcycle would be a key negative for equities (possibly due to rising odds of a 2025 recession); EPS revisions higher could be driven by productivity, and higher growth/inflation
- **Liquidity**: This is the biggest wildcard for 2024, with factors like Fed Balance Sheet/Quantitative Tightening, Treasury funding/cash balance being key drivers of equity valuations/returns.
- **Positioning**: Broad measures of positioning are stretched but not as extreme as early 2018 and late 2021; a chase to extremes would be positive for equities in the short term, but when extremes are reached, this would be downside risk.
- **Sentiment**: Various sentiment measures are nearing optimistic extremes but can persist; once positioning catches up to sentiment, sentiment likely becomes a key risk.
- **Rotations**: Given one-sided sector flows in 2023 (into Tech and out of most other sectors with Healthcare, Energy, and Financials seeing the most), leadership rotations could be sharp and swift in 2024.



Source: Bloomberg, NewEdge Wealth, Data as of 3/6/24



Source: Bloomberg, NewEdge Wealth, Data as of 3/6/24

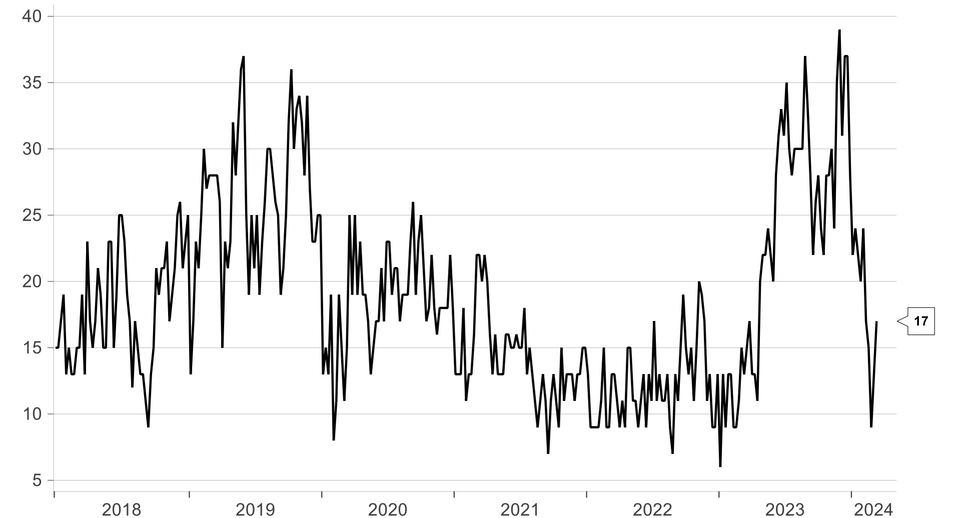
2024 Equity Outlook: Themes

- **Ranges Not Trends, Be Epictetus:** For the S&P 500, we see the potential to be stuck in a wide range to the year (10% to the upside, 10% to the downside) as the conditions for a low volatility, trending market (like 2019 or 2021) are not present; this range could present opportunities for tactical allocations if needed.
- **Still Quality, but Look for Tarnish, Not Trash:** We believe we are still in a late-cycle environment (low unemployment, high interest rates), which, though it can persist for some time, means investors should not grow complacent about growth or balance sheet risks; investors can consider laggards from 2023 that have "tarnish" (needs to reduce costs, growth hurdles) but not "trash" (weak balance sheets and profitability).
- **The Selective Tide Lifts Some Boats, Index Returns May Be Misleading:** Opportunities abound for equities that were left behind in 2023's narrow market and are now underestimated and under-owned; cap-weighted indices may struggle in 2024 given 2023's concentration, while beaten-up indices (Value, small-cap international, non-US) provide greater opportunity for *selectivity,* even if index level returns are lackluster.
- **Breadth Must Come:** 2023's positive, concentrated returns were made possible by powerful EPS growth and margin expansion by the largest weights in the S&P 500; with Magnificent 7 EPS growth slowing materially in 2024 and multiples having already re-rated, a broader cohort in the S&P 500 will need to deliver on earnings growth (only 56% of S&P 500 companies had positive EPS growth in 2023).
- **Liquidity is the Darkhorse:** Liquidity was a surprise tailwind to markets in 2023, helping boost valuations to elevated levels; broad liquidity, including both Fed and Treasury actions, will need to be monitored in 2024, as a shift to tighter liquidity could pressure valuations that are at the high end of historical ranges.
- **The Only Thing to Fear is Greed Itself:** Sentiment and positioning need to be monitored closely; if they get too stretched (like early 2018 and late 2021), equity markets will struggle given the high bar to surprise to the upside and lack of incremental buyers.

2024 Fixed Income Outlook

Factors That Will Drive Bonds in 2024

- **Fed expectations**: With more than six rate cuts prices in, bond markets hold a high conviction that the Fed won the inflation battle and can begin to quickly lower rates. The Fed is pushing back, warning that the strength of the economy may once again push up prices. The "push-pull" between the Fed and markets set a trading range, and unless/until the economy goes into recession, this prevailing range offers elevated coupon returns and modest spread and duration returns.
- **Inflation**: Bond markets have priced inflation expectations to perfection, predicting 2% inflation by the end of 2024. However, there remains a risk of a "bear steepening" occurring in the yield curve, similar to what was experienced in the summer of 2023.
- **Liquidity**: The Fed has contemplated slowing the pace of QT. For specific markets – like Treasuries, Munis, MBS, and corporate bonds – structural illiquidity post-GFC means that the "end" of QT may not necessarily bring relief unless combined with rate cuts.
- **Positioning**: Distortions between futures and cash markets will continue to play a dominant role in the pricing of rate cut expectations, which in turn affect valuations across fixed income. The credit overweight could shift to Treasuries, MBS, and other sectors when faster rate cuts do eventually follow.
- **Issuance**: Treasury issuance will remain large-scale. IG and HY bond issuance by corporations is expected to increase by $250 billion. Supply indigestion will continue to challenge duration positioning.



Source: Bloomberg, NewEdge Wealth, Data as of 3/6/24

2024 Alternatives Outlook

Venture Equity

- High-quality businesses are still getting funded.
- Early-stage businesses are being pressed to focus on profitability.
- Early-stage valuations have been resilient, but a reset is underway.
- Opportunities in emerging technologies but wariness around the potential for bubbles to form (particularly around AI).

The Opportunity: Green shoots are beginning to emerge in venture, and we see opportunities to gain access to higher quality businesses at more attractive entry points with normalized valuations.

Private Equity

- The cost of leverage and capital has risen dramatically, which pressures high leverage/financial engineering strategies,
- Increasing focus on how return is generated at the company level,
- As the exit environment has remained tight and return of capital has slowed, so has the pace of new commitments.

The Opportunity: We see more opportunities for quality growth across the lower middle market and middle market vs. the upper market, where financial engineering tends to be more prevalent.

Manager selection and quality of return generation matter more than ever as the dispersion between winners and losers widens. Managers focused on driving value creation through margin expansion, operational efficiency, and building a higher quality cap table to drive returns will prevail over those that lean on financial engineering.

Private Credit

- A "golden age" for some (low defaults, high base rates), but risk management critical.
- Structure as the arbiter of return (i.e., leverage).
- Focus on underwriting track record, downside protection, and stress testing.
- Market oversaturation risk and manager selection becoming more critical.

The Opportunity: As the elevated interest rate environment persists and syndicated loan markets remain effectively closed, we see greater long-term opportunity across private credit with a critical eye towards underwriting and downside protection particularly as new entrants flood the marketplace.

2024 Alternatives Outlook

Secondaries

- Pickup in secondary activity on both the LP Led and GP Led side.
- Declining private equity valuations and LP desire to normalize the denominator effect will lead to greater discounts.
- GPs need to begin to return capital to investors will increase supply of GP-led deals.
- Liquidity solutions are being tested – NAV lending, carve-outs, hybrid facilities.

The Opportunity: We anticipate a pickup in secondary deals coming to market as LPs and GPs seek to generate liquidity for investors. Secondary funds will be able to take advantage of attractive pricing as valuations reset.

Growth Equity

- Valuations are coming under pressure as the IPO window remains largely closed.
- Green shoots of investments as valuations normalize and as exit opportunities ramp up (increased M&A activity and IPO window reopening).
- Continued focused interest on profitable business models and countercyclical sectors.

The Opportunity: Opportunities will present if the IPO window continues to reopen and as M&A activity reaccelerates.

Private Real Estate

- Office real estate market has already begun to show early signs of recession.
- Most sectors have experienced near-record low vacancy & elevated rents (with the exception of commercial).
- Multifamily has experienced demand growth as low supply and affordability of single-family homes has worsened.
- Stress in the space overall has reduced new capital supply.

The Opportunity: Market dislocations may create attractive pockets of buying opportunity in the next 12-18 months. We will likely see openings, particularly in distressed spaces in 2024, such as office and commercial, which could cause contagion across the industry. The opportunity in triple net lease is growing as we are seeing large corporations evaluate how they want to capitalize their balance sheets.

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Abbreviations/Definitions: AI: artificial intelligence; CB: central banks; CPI: Consumer Price Index; Dot Plot: The Fed dot plot is published quarterly as a chart showing where each of the 12 members of the FOMC expect the federal funds rate to be for each of the next three years and the long term; EBITDA: Earnings before interest, taxes, depreciation and amortization; EM: emerging markets; EPS: earnings per share; HY: high yield; IG: investment grade; Initial Jobless Claims: measures the number of individuals who filed for unemployment insurance for the first time during the past week; IPO: initial public offering; Treasury General Account (TGA): Treausry's cash balance held at the Fed; Trimmed mean inflation: a measure that strips out the fastest and slowest growing prices each month, leaving behind a less noisy measure of core inflation; VIX is the ticker symbol for the Chicago Board Options Exchange's CBOE Volatility Index, a popular measure of the stock market's expectation of volatility based on S&P 500 index options.

Disclosures

When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. You cannot invest directly in an index. Index returns shown are total returns which includes interest, capital gains, dividends, and distributions realized over a given period of time. An individual who purchases an investment product which attempts to mimic the performance of a benchmark or index will incur expenses such as management fees and transaction costs which reduce returns.

TIPS: Bloomberg Barclays Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged
Municipals 5-Year: Bloomberg Barclays Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD
Core Bond: Bloomberg Barclays US Agg Total Return Value Unhedged USD
U.S. MBS: Bloomberg Barclays US MBS Index
High Yield Municipals: Bloomberg Barclays Muni High Yield Total Return Index Value Unhedged USD
High Yield: Bloomberg Barclays US Corporate High Yield Total Return Index Value Unhedged USD
Foreign Bond: Bloomberg Barclays Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)
EM Debt (unhedged): J.P. Morgan GBI-EM Global Diversified Composite Unhedged USD
U.S. Large Cap: S&P 500 Total Return Index
U.S. Small Cap : Russell 2000 Total Return Index
International Developed: MSCI EAFE Net Total Return USD Index
Emerging Markets: MSCI Emerging Markets Net Total Return USD Index
World: MSCI ACWI Net Total Return USD Index
U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD
Commodities: Bloomberg Commodity Total Return Index
Midstream Energy: Alerian MLP Total Return Index
Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index
U.S.: MSCI USA Net Total Return USD Index

Europe: Euro Stoxx 50
United Kingdom: UK FTSE 100
Japan: Tokyo TOPIX Stock Exchange Index
China: Hang Seng Index
Brazil: Ibovespa Brasil Sao Paulo Stock Exchange Index
India: NSE Nifty Index
South Korea: Korea Stock Exchange KOSPI Index
Taiwan: Taiwan Stock Exchange Index

REITS Diversified: FTSE Nareit Eqty Diversified Total Return Index
REITS Healthcare: FTSE Nareit Eqty Health Care Total Return Index
REITS Industrial: FTSE Nareit Eqty Industrial Total Return Index
REITS Lodging/Resorts: FTSE Nareit Eqty Lodging/Resorts Total Return Index
REITS Office: FTSE Nareit Eqty Office Total Return Index
REITS Residential: FTSE Nareit Eqty Residential Total Return Index
REITS Retail: FTSE Nareit Eqty Retail Total Return Index
REITS Self Storage: FTSE Nareit Eqty Self Storage Total Return Index
REITS Data Centers: FTSE Nareit Equity Data Centers Total Return Index
REITS Specialty: FTSE Nareit Equity Specialty Total Return Index
Real Assets Agriculture: Bloomberg Sub Agriculture Total Return Index
Real Assets Industrial Metals: Bloomberg Sub Industrial Metals Total Return Index
Real Assets Precious Metals: Bloomberg Sub Precious Metals Total Return Index
Real Assets Energy: Bloomberg Sub Energy Total Return Index

Any questions?

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