Quarterly Review and Strategy Update

September 30, 2022

- **Financial markets continue to fall as the Federal Reserve hikes interest rates aggressively**
- **Equity market focus turns to ability of companies to maintain revenues, earnings and margins, while bond markets struggle with elevated volatility**
- **Recession, rising financing costs and inflation will result in a reset of commercial real estate markets**

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THE ECONOMIC ENVIRONMENT

Hopes that the recent painful market corrections would be followed by a quick recovery have been dashed as volatility escalated over the past few months, with almost all liquid assets down for the third consecutive quarter. The financial markets seem to have finally internalized that Fed Chair Powell may be atoning for his past belief in the transitory nature of inflation by hiking interest rates even more aggressively than expected. "While higher interest rates, slower growth, and softer labor market conditions will bring down inflation," said Powell at the Jackson Hole Central Bank Economic Symposium in August, "they will also bring some pain to households and businesses." The Federal Reserve raised interest rates by 0.75% in September to a range of 3% to 3.25% and is expected to increase them by a further 0.75% in November, followed potentially by 0.50% in December, to bring the Fed Funds rate to 4.4% by year end and to 4.6% by the summer of next year.

There are already signs that higher interest rates are destroying demand. Crude oil has fallen by over 26% from $105 to $78 a barrel during the third quarter, and the national average price of gasoline has fallen from $5 to $3.80 a gallon. The price of timber, much discussed during the height of the pandemic when it soared to $1,700 a board foot, has drifted down to $430, the pre-Covid level. Residential housing is slowing rapidly in response to mortgage rates climbing to 7%. Housing starts, existing home sales, construction spending and mortgage applications are all pointing to a slowdown in residential investment. According to a report from property company CoStar, apartment asking rents nationally fell in August, the first monthly decline in rents since December 2020.

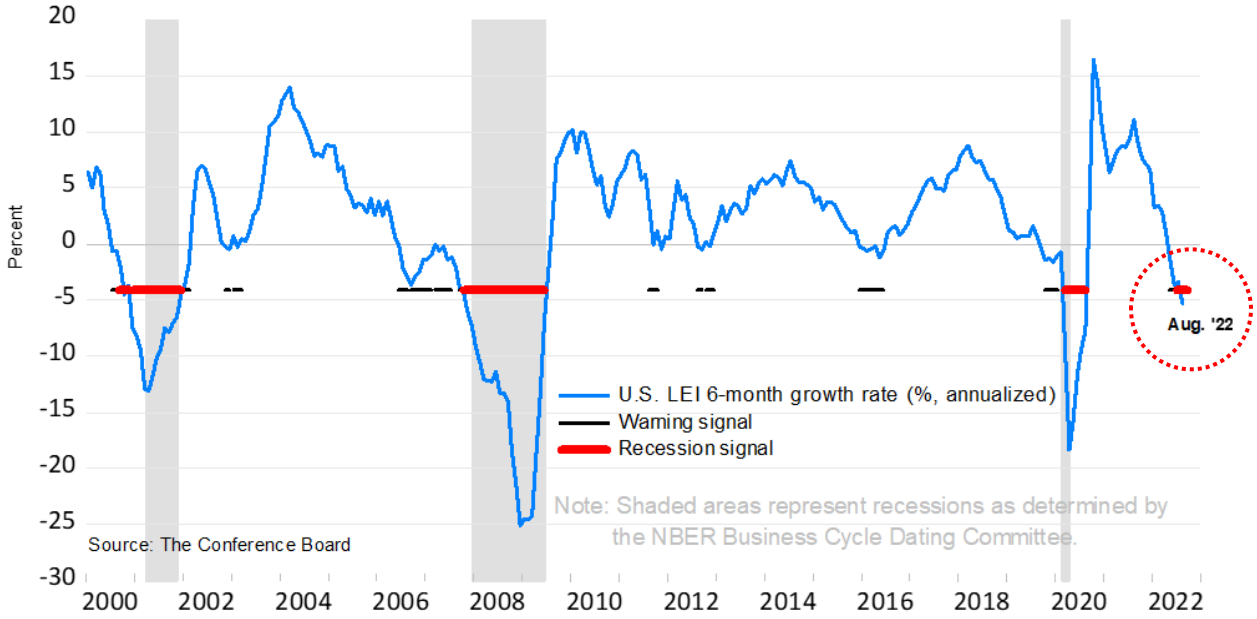
Other data, however, point to persistent inflationary pressures. While the Consumer Price Index has been declining from its June high of 9.1%, the core Personal Consumption Expenditures index — the Federal Reserve's preferred gauge of inflation that excludes energy and food prices — unexpectedly rose to 4.9% in August from the upwardly revised 4.7% in July, reflecting the impact of stickier components of inflation such as housing and healthcare. The fall in energy costs has been offset by higher food prices. Grocery items rose 1.6% in August from the month before and were up 13.4% from a year earlier. Moreover, the employment picture continues to look strong: the unemployment rate stood at 3.5% in September despite an increase in the labor force participation rate as more workers entered the market, enticed by higher pay, which has increased by 5.2% over the past 12-months. The economy has added 3.8 million new jobs this year, the number of continuing jobless claimants has been declining, and new job vacancies have jumped to over 12 million positions in September, the highest monthly number over the past year. The consumer is in relatively good shape. Retail spending has been stable as falling gas prices have allowed consumers to buy other items. While the absolute dollar value of consumer debt (including car and student loans, mortgages and credit card balances) has risen steadily this year, the ratio of total household debt to GDP has started to fall sharply. The University of Michigan Consumer Sentiment Index rose to a five-month high in September following an all-time trough in June.

So, could we see a scenario where there are clears signs of a recession, but inflation remains well above the Fed's target and employment still looks robust? Having struggled to hire and retain workers over the past few years, might employers be reluctant to fire them even if sales or profit margins decline? What

would the Fed do then? Given Powell's determination to kill inflation, we would have to assume that he would keep rates high for longer until data points to an unambiguous fall in inflation, even if unemployment spikes to a level that triggers universal outrage. For unlike its price stability mandate with inflation targeted at 2%, the central bank has no clearly defined target for "maximum employment". The Federal Open Market Committee strategy policy states "the maximum level of employment is a broad-based and inclusive goal that is not directly measurable and changes over time owing largely to nonmonetary factors that affect the structure and dynamics of the labor market…" in other words, who knows?

Inflation, unfortunately, is a *lagging* economic indicator. In contrast, the Conference Board's *Leading Economic Index* has been falling steadily. "The Index declined for a sixth consecutive month potentially signaling a recession," repots Ataman Ozyildirim, Senior Director at The Conference Board.

The Conference Board's Index of Leading Economic Indicators



With the focus on interest rates and inflation, the market's focus has drifted from the Inflation Reduction Act (kudos to Congress for its sense of irony), regarded as the most important legislation ever enacted to address climate change. It allocates a record $396 million to tackle climate and energy challenges and is projected to slash the country's carbon emissions by roughly 40% by 2030. It subsidizes solar and wind power generation, electric vehicles, and climate-resilient food production. It also provides $64 billion to extend an Affordable Care Act program to reduce insurance costs and takes a stab at prescription drug pricing reform by empowering Medicare to negotiate drug prices over the next decade. The Inflation Reduction Act also imposes a 15% corporate alternative minimum tax aimed at companies that have been able to shrink their tax burden far below the 21% official rate, and allocates $80 billion to boost the IRS' tax enforcement and compliance capabilities, a move that the Congressional Budget Office estimates will

yield $124 billion in revenue. Finally, a 1% excise tax on stock buybacks is forecast to bring in $74 billion.

Modeling from the nonpartisan Energy Innovation Group has calculated that the legislation would lead to the creation of 1.5 million additional jobs and increase GDP by 0.84% to 0.88% by 2030. The Committee for a Responsible Federal Budget has concluded it is likely to reduce the federal deficit by $1.9 trillion over a 20-year period, and the Congressional Budget Office estimates that it would have no statistically significant effect on inflation. However, the Tax Foundation, a conservative think tank, stated that the bill "may actually worsen inflation by constraining the productive capacity of the economy." It estimated the bill would result in a loss of 30,000 jobs and a 0.1% reduction in GDP, while resulting in just $304 billion of additional revenues. While the Inflation Reduction Act's impact on inflation and the economy can be debated, its tax credits and subsidized loans have resulted in a positive impact on existing renewable energy assets and boosted capital flows into investments in electrification, battery development and climate technology.

At least the Inflation Reduction Act forced American politicians to ponder, even if briefly, the ballooning federal budget deficit. The consequences of fiscal irresponsibility certainly hit the United Kingdom like a hurricane when on September 23, Chancellor of the Exchequer Kwasi Kwarteng unveiled the most radical package of tax cuts in 50 years. The new government's proposals included eliminating the top 45% threshold for personal income taxes (subsequently withdrawn), cutting the base tax rate from 20% to 19%, reducing stamp taxes for new home purchases and reversing planned hikes in corporate and payroll taxes. It also abolished limits on bonuses for bankers and allowed fracking for shale gas across the U.K. These measures were proposed in addition to previously announced subsidies to mitigate high electricity bills expected this winter. The total cost of this largesse had been estimated at over £400 billion or nearly 20% of U.K.'s GDP.

Kwarteng unapologetically dismantled decades of economic and political orthodoxy – that tax cuts are more effective if relief is provided to lower income earners with greater propensity to spend, and that they needed to be balanced with reductions in spending. The new Conservative government's proposals made it crystal clear that handouts overwhelmingly benefitting the wealthy were going to be funded not with unpopular cuts to social spending but with additional borrowing. To make matters worse, Kwarteng's fiscal stimulus seemed to undermine the Bank of England's struggle in restraining inflation, which has jumped to over 10%.

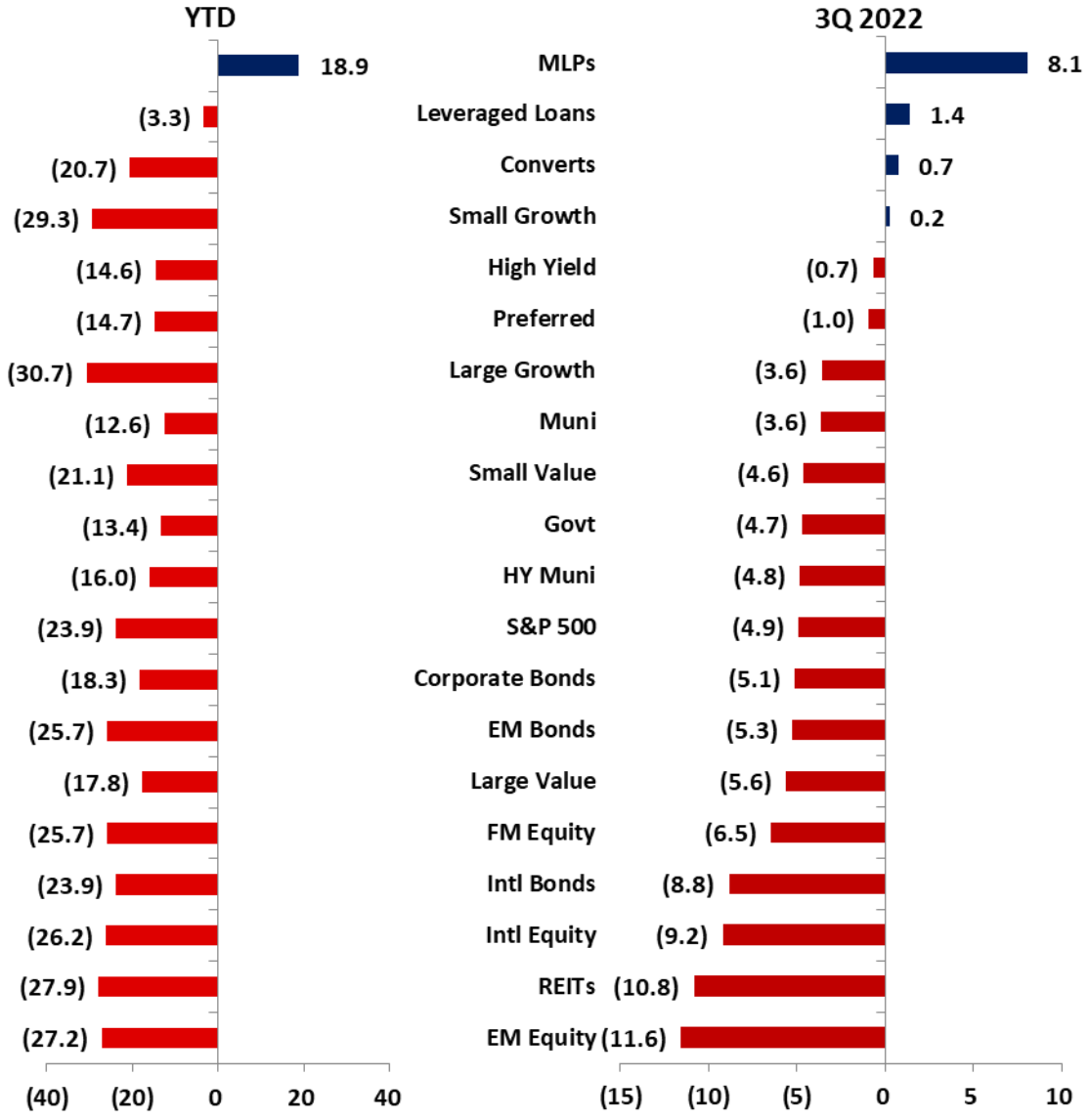
The financial market's reaction to the return of trickle-down Reaganomics was fast and brutal — Sterling dropped 8% in a single day to its lowest recorded level against the U.S. Dollar and 10-year British government bond yields jumped a full percentage point to 4.3%. Several British banks announced they would no longer offer mortgages until the market stabilized. The panic over the prospect of government debt rising from 84% to 100% of U.K.'s GDP overshadowed any belief that the government's "Growth Strategy" would actually lead to consumer confidence, business investment and the resolution of challenges created by Brexit. In a humiliating rebuke, the International Monetary Fund criticized the measures, saying that "we do not recommend large and untargeted fiscal packages" at a time of high inflation. It suggested the British government "reevaluate" its plans. Adnan Mazarei, a former deputy

director at the IMF, said it was common for the foundation to make strong statements on "emerging market countries with problematic policies but not often G7 countries." The Bank of England had to announce an emergency bond buyback program to prevent many pension funds that had entered into derivative contracts to hedge its pension liabilities from declaring insolvency. “If there was no intervention today,” a London bond trader reported, “gilt yields could have gone up to 7% – 8% from 4.5% this morning and in that situation around 90% of UK pension funds would have run out of collateral… They would have been wiped out.”

Could investors in U.S. Treasury bonds ever lose confidence in the ability of the Federal Reserve, the White House and Congress to manage our growing fiscal deficit and its debt burden, already above 100% of GDP? How long will the global reserve currency status of the Dollar provide immunity from a similar collapse in market confidence? The resignations of both Kwarteng and Prime Minister Liz Truss, the almost complete reversals of their plans and the market turmoil across the Atlantic offers a warning that economic tipping points are hard to predict, but if crossed over can result in devastating consequences.

3rd QUARTER PERFORMANCE OF MAJOR ASSET CLASSES

Numbers represent percentage change

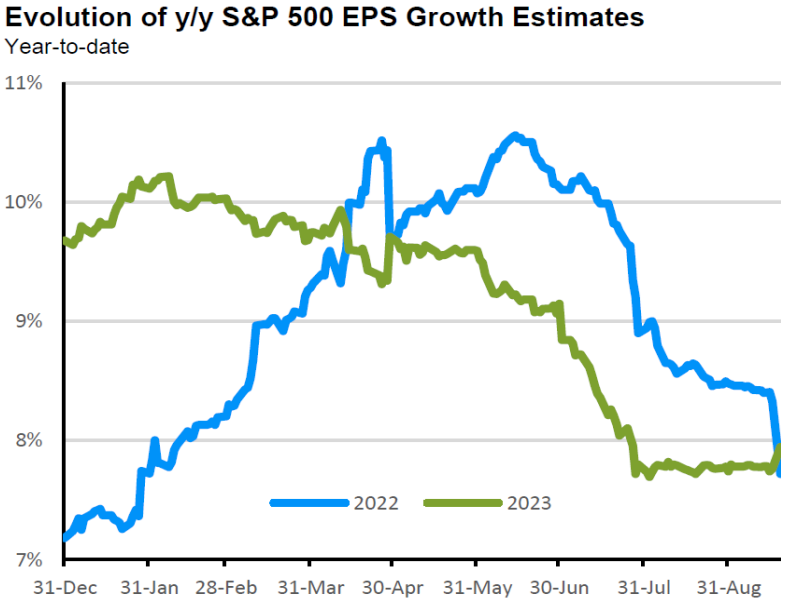


Source: Morningstar

EQUITIES

Despite a heroic bear market rally in July on the back of better than feared second quarter earnings and the hope the Fed would have to slow its aggressive interest rate hikes, equity markets continued their downward trend for the year. At the annual Jackson Hole Symposium in August, Fed Chair Jerome Powell put those hopes of a dovish policy pivot to bed when he reiterated that inflation remained too high and the central bank was determined to bring it down to its 2% target — even at the expense of weakening the economy as "reducing inflation will require a sustained period of below trend growth." As this reality began to set in, markets sold off further in September as future earnings forecasts were revised lower, culminating in some of the worst monthly losses seen in an already dismal year. The market's apocalyptic sentiment pushed positioning to an all-time max short as measured by the value of speculative net futures contracts in the S&P 500, Dow Jones, and Nasdaq 100 indexes.

Source: Natixis - Portfolio Analysis & Consulting, Bloomberg

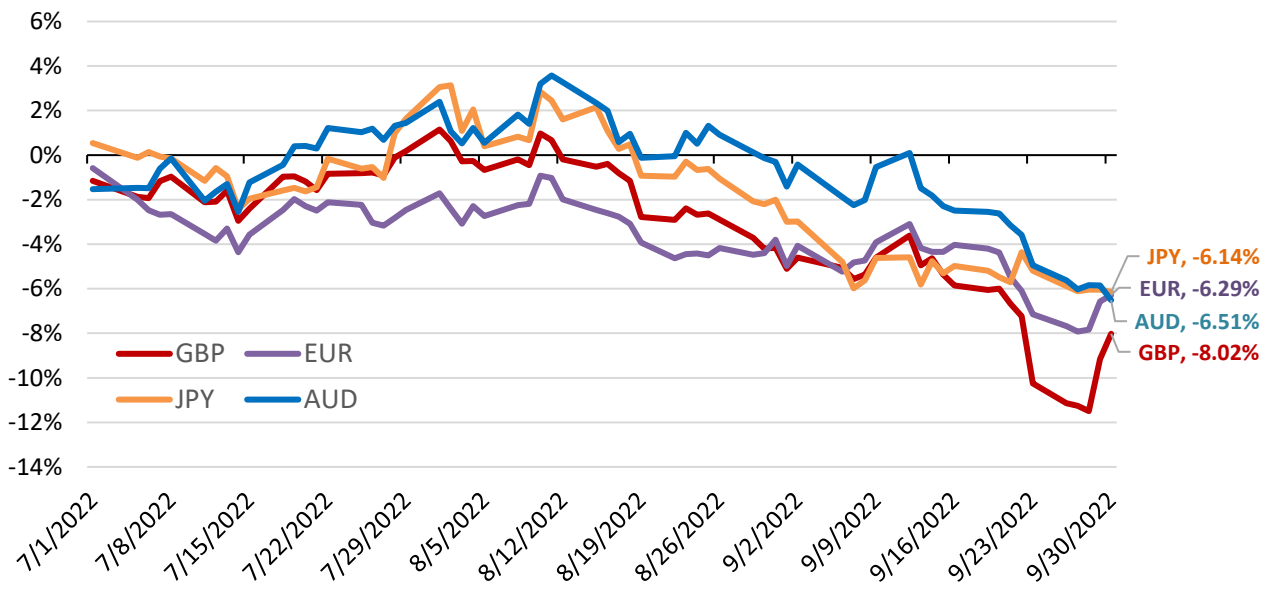


Source: FactSet, J.P. Morgan

While pain in the markets so far has been skewed towards long duration, growth equities, the pain in September was much more evenly distributed as the declines were less of a reaction to rising interest rates than to the prospect of a weaker future earnings environment. Growth and value index returns for both large and small caps were only different by approximately 1%.

Putting some numbers behind the commentary above, the S&P 500 rallied to a +9.11% gain in July followed by declines of -4.24% in August and -9.34% in September, for a quarterly return of -5.28% while bringing the year-to-date return down to -24.77%. Small caps fared a bit better, returning -2.19% for the quarter while international markets continued to struggle in US Dollar terms during Q3. The MSCI EAFE Index fell -9.36%; the MSCI ACWI Ex USA Index was down -9.91%; and the MSCI EM Index also declined -11.57%. When priced in local currencies, however, the returns were rosier, albeit still negative, at -3.59%, -4.85%, and -8.18%, respectively. As you can see, the U.S. Dollar's strength has been especially pronounced in developed markets, appreciating 6%+ in just the past quarter against the Pound, Euro, Yen, and Australian Dollar. While a boon for Americans travelling abroad, this sustained strength of the U.S. Dollar may negatively impact the earnings of companies with a strong international presence.

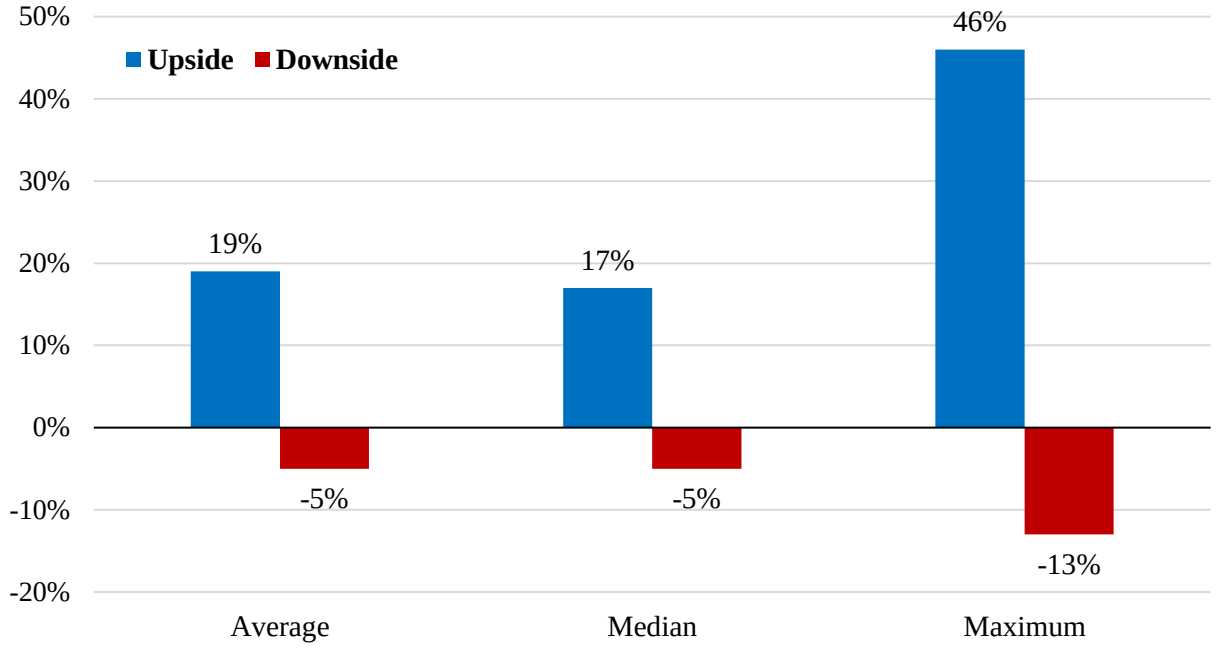
Currency Performance vs. U.S. Dollar



Source: JPMorgan

Even though the S&P 500 officially entered a bear market on June 13 — down -21.83% since it peaked on January 3, reaching a trough of -23.55% on June 16 — the ensuing two-month recovery returned +17.41% from the June 16 level, pulling the year-to-date loss up to -10.24% by August 16. While this may not seem particularly noteworthy, the returns for the index have historically been strongly skewed to the upside following a 50% recovery in bear markets. In previous instances, the returns for the following year averaged +19% in upside cases versus -5% in downside scenarios. While every bear market is different and the next twelve months could be just as dire as the last, we believe long-term investors should be cognizant of these types of risk/reward asymmetries.

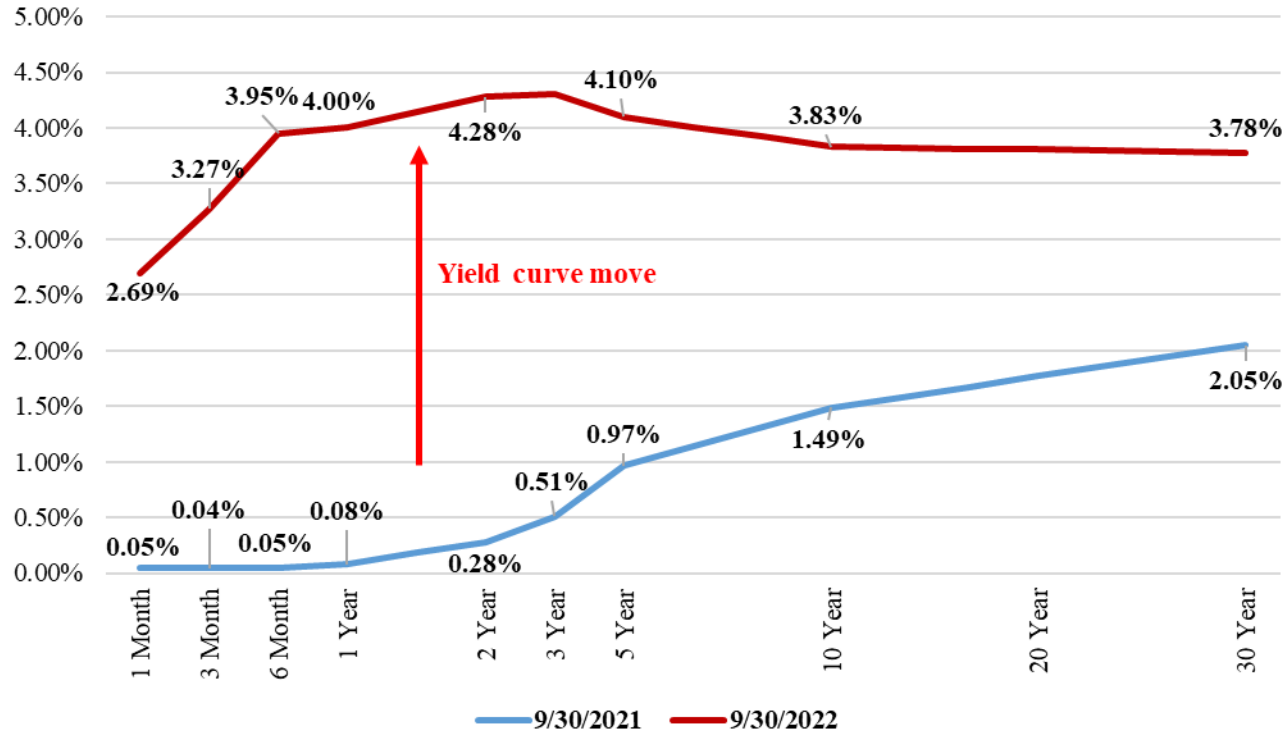
S&P 500 Returns One Year After 50% Bear Market Recovery



Source: Goldman Sachs, Bloomberg

BONDS

12-Month Change in the U.S. Treasury Yield Curve



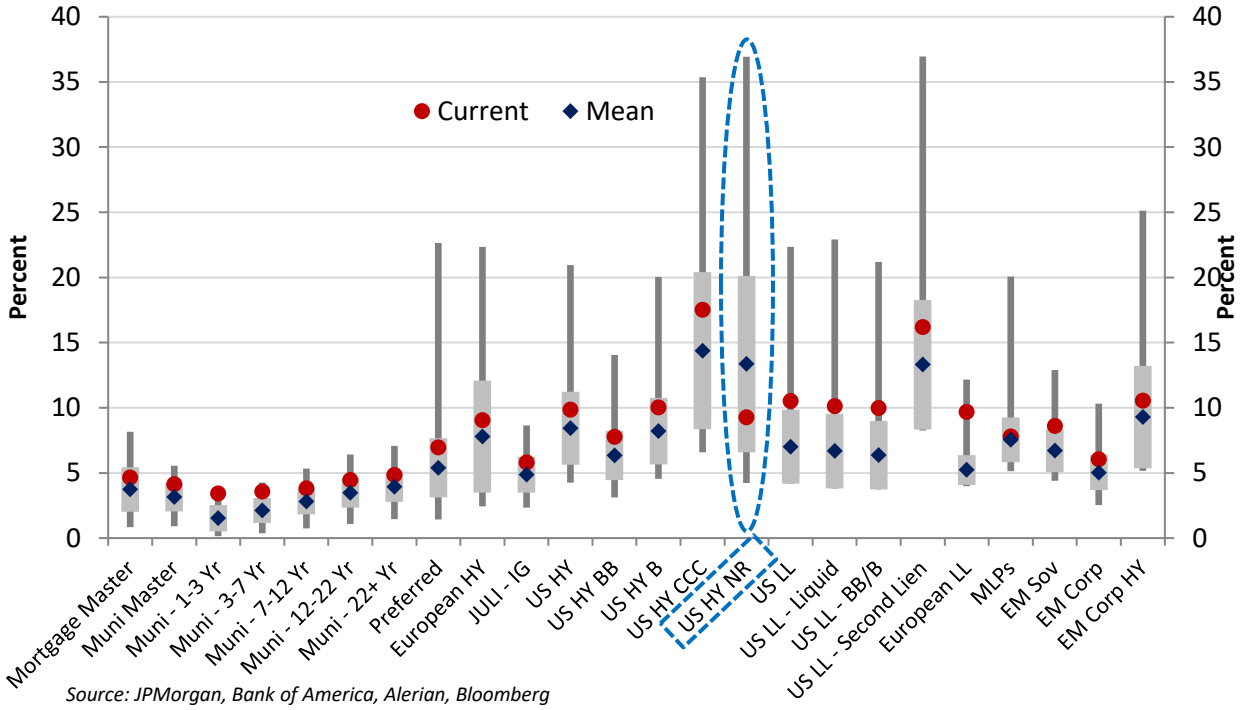
Source: Bloomberg

Market conditions in the fixed income and credit markets deteriorated significantly in the 3rd quarter leading many participants to become very concerned about market stability. Treasury yields have risen sharply across the yield curve, with the 3-month Treasury bill rising rose from 1.67% to 3.3%, the 2-year note from 3% to 4.3%, and the 10-year note from 3% to 3.8% over the past 3 months. While credit spreads ended unchanged for investment-grade issuers from that last quarter, they have risen almost 70 basis points from the start of the year, resulting in total issue yields for BBB-rated issuers now reaching 5.75%, the highest level since the Global Financial Crisis. Spreads for below-investment-grade issuers have risen 240 basis points during the year, with overall yields for BB-rated issuers now hitting 7.4%. As the chart below shows, yields for every credit asset class are trading above their historical average, with the exception of non-rated high yield bonds. In past Fed hiking cycles credit spreads have typically tightened, reflecting a strong economy and strong corporate fundamentals. In this cycle, the Fed may clearly have been late in taking action, and the market seems to be anticipating a recession and weakening corporate balance sheets.

Volatility in interest rates continue to be elevated. While new debt issuance for investment-grade corporate borrowers remained stable, new deals for high yield issuers plummeted, leading to the second lowest volume for any quarter since the Global Financial Crisis. A group of banks have swallowed over $600 million in losses on the troubled $8 billion leveraged buyout financing for Citrix Systems.

Investment-grade and junk bond portfolios have lost over 20% and 12% respectively this year, and investors have withdrawn over $130 billion from U.S. bond funds on a net basis.

Asset Class Yields
(Light grey shading denotes +/- std. dev. range)



Source: JPMorgan, Bank of America, Alerian, Bloomberg

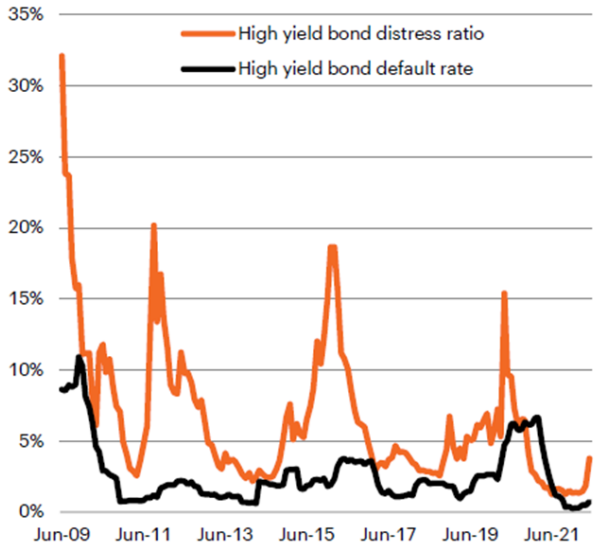
Despite these developments, some analysts believe that we have not yet seen the capitulation or even a meaningful repricing in the credit markets, and that the double whammy of weaker earnings and higher borrowing rates will trigger a wave of ratings downgrades and defaults next year. Since 2000, non-financial firms have borrowed almost $36 trillion, raising debt-to-GDP ratios to 81% from 64% in the U.S. and to 110% from 73% in the euro zone. Deutsche Bank strategists Jim Reid and Karthik Nagalingam suggest that this growth is unsustainable and will lead to defaults amongst speculative-grade issuers as high as 10% from the 1% level today. We believe this forecast to be too pessimistic. Indeed, the consensus seems to call for defaults to increase to 3% or 4% from 1% today if we sink into a recession. While some companies may not survive, many borrowers are in good shape. Corporate earnings before interest and tax are at a robust 6.7 times their interest burden, up from 3.6 times in 2000. According to S&P Global Market Intelligence, cash ratios - a liquidity metric that compares cash and equivalents to current liabilities - have declined in recent quarters but remain above pre-pandemic levels. The average maturity of bonds in the high yield index is 6 years, and just 8% of junk bonds mature before the end of 2024, reducing systemic refinancing risk. The quality of issuers in the high yield index in terms of ratings is also the highest in history, with 53% of issuers rated BB, the highest non-investment rating.

Forecast defaults in U.S. below-investment grade issuers

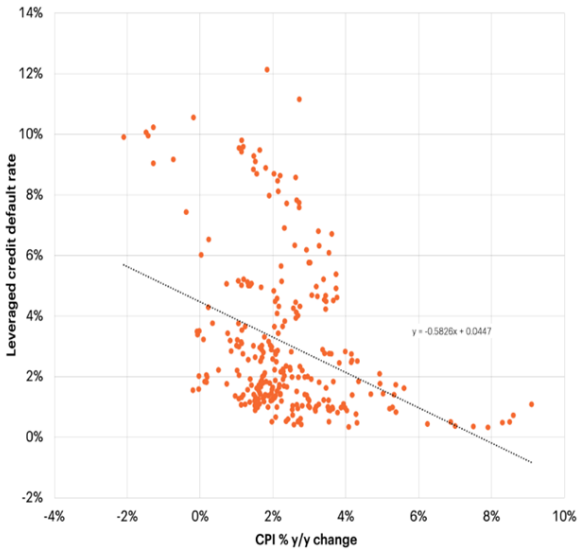
Source: Deutsche Bank, S&P

While default rates are difficult to predict, one indicator closely watched by traders is the distressed ratio — defined as the percent of bonds trading with spreads higher than 10%. The ratio historically overshoots *actual* defaults by a significant margin, with actual defaults hitting only 35% of distressed issuers within the following 12 months. Since 6% of high yield issuers are trading at distressed levels today, the metric would suggest only a 2.1% default rate. Moreover, the assumption that higher inflation necessarily increases default probability may be inaccurate — in fact the evidence seems to point to an inverse relationship.

Predictive Factor of the Distressed Ratio



Inflation and Credit Defaults



Source: FS Investments

This data suggest that while it would be prudent to assume increased stress and defaults in corporate credit, high yield credit spreads may be incorporating a level of defaults that more than compensate investors for the risk. Allocating to managers who can differentiate credit quality and take advantage of market dislocations could be accretive to investor portfolios.

ARE WE HEADED INTO A REAL ESTATE APOCALYPSE?

Source: JoakimOlofsson

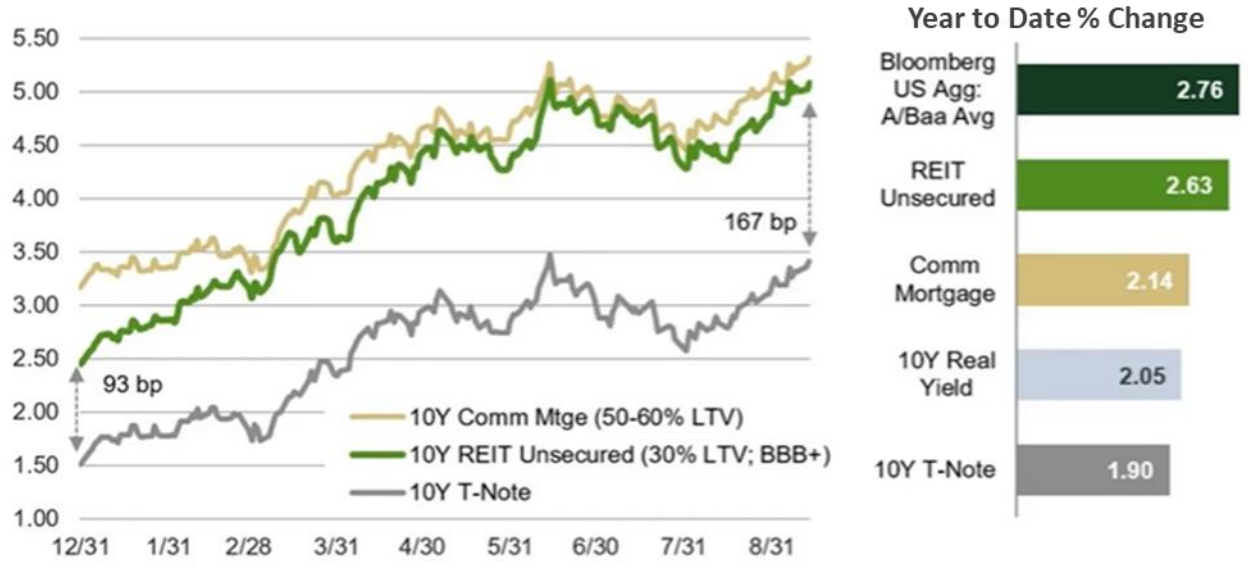
In a study published last week titled "Work From Home and the Office Real Estate Apocalypse", New York University professor Arpit Gupta predicted a 39% long-term decline in New York City office real estate values resulting in "$453 billion in value destruction". Citing the change of functional office occupancy from 10% at the onset of the pandemic to only 47% by September this year, Gupta forecast that the impact of Covid and work-from-home practices would lead to a collapse of the urban office market. While acknowledging that flight-to-quality would spare Class A buildings, he argued that lower quality buildings would be vulnerable to dramatic declines in prices, with serious repercussions for municipal finances and financial industry stability.

Is Professor Gupta's analysis too bleak? There is no doubt that rising interest rates have hit commercial real estate. Even as the 10-year Treasury yield has risen to 4% this year, borrowing costs in the industry have risen faster, with the commercial mortgage spread over Treasuries climbing from 93 basis points at the start of the year to 167 basis points by the end of August. Property price appreciation is moderating, rent growth is slowing and lenders are cutting back on risk and even halting new lending altogether. Average loan-to-value ratios have dipped to 56%, the lowest in two decades. The FTSE NAREIT U.S. Real Estate Index of publicly traded real estate funds has posted a 28% year-to-date loss, greater than the 24% loss for the S&P 500 Index.

Yet fundamentals in many sectors do not reflect the disaster that the study portends. Cash flow generation in commercial real estate continues to be robust. According to NAREIT, U.S. equity REITs posted aggregate quarterly funds from operations of $19.6 billion in the second quarter of 2022, an all-time high for the measure. In the residential market, significant supply/demand imbalances (the National

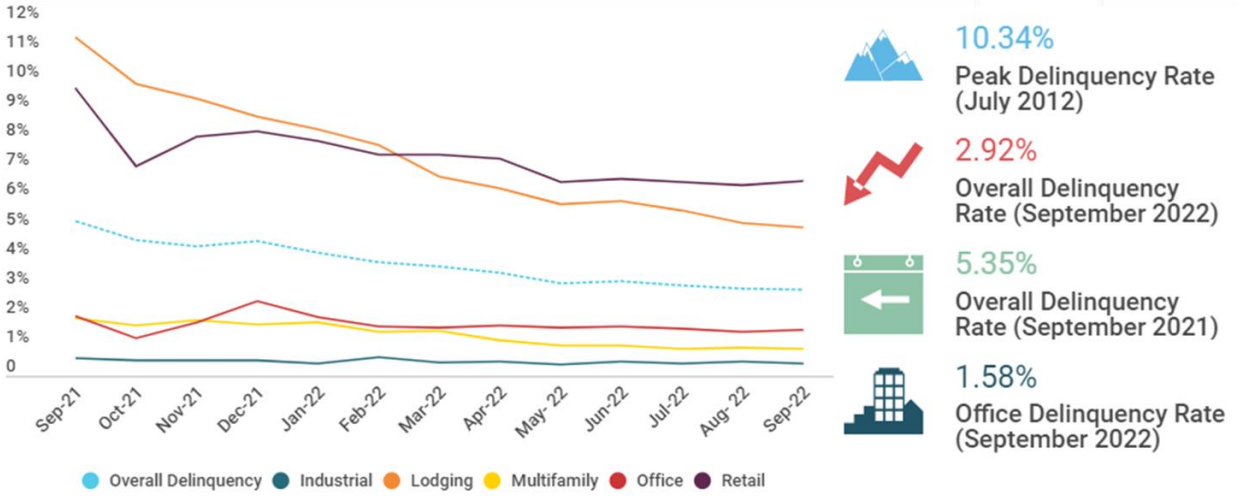
multifamily Housing Council estimates that we are short 600,000 apartment units) have led to an all-time-low vacancy rate of 5%. In the industrial sector, the vacancy rate is even lower at 1.4%. Even with Amazon's decision to scale back its own industrial development and with over 200 million square feet of new construction this year, the market has easily absorbed new supply. Even retail and hospitality, the hardest hit sectors in 2020, have staged a resurgence as consumers have returned to bricks-and-mortar shopping and travel.

Yields on Commercial Mortgages and REIT Unsecured Debt



Source: Trepp

Month-Over-Month Delinquency Rates by Major Property Types



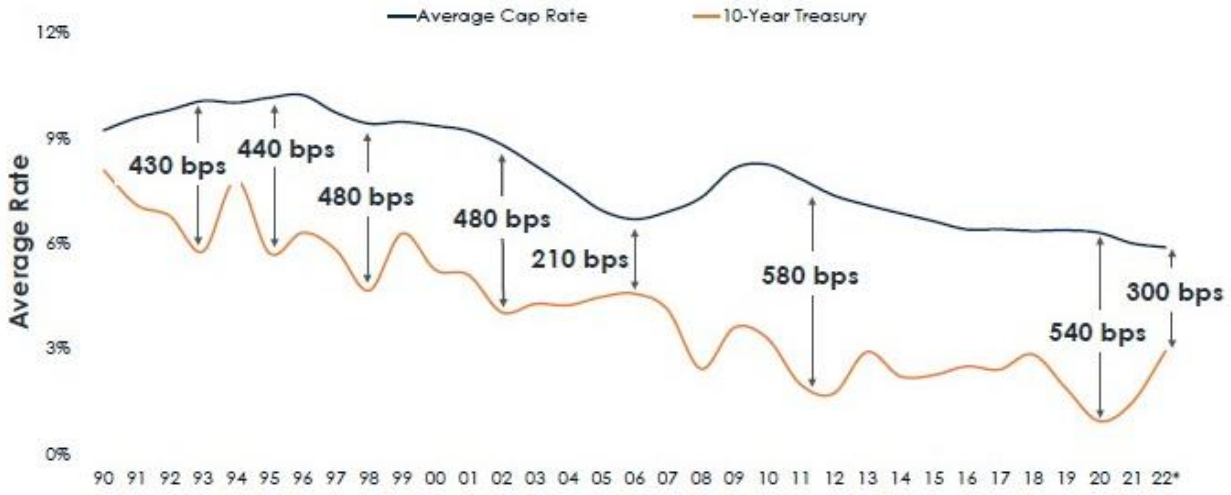
Source: Trepp

Consequently, the real estate debt markets have yet to see significant stress. The delinquency rate for commercial mortgage-backed securities fell to 2.9% in September from the previous month, and has been declining for 25 of the last 27 months. While there will undoubtedly be challenges ahead for real estate

borrowers facing expiring leases and near-term refinancing — $70 billion of securitized debt comes due next year — commercial mortgage-backed bonds have suffered lower losses compared to many other areas of the public credit markets.

These benign conditions have also led to the compression of the spread between cap rates and the risk-free rate to the tightest level since the Global Financial Crisis. Yet, as the market faces slowing rent growth, higher operating and financing costs, and the prospects of a recession, we believe that spreads will widen and cap rates will rise, leading to a broad recalibration of the commercial real estate markets. To be sure, investors could continue to acquire assets at high valuations, since real estate has traditionally been regarded as a hedge against inflation. Even if banks are cutting back on lending, there is plenty of capital sitting on the sidelines. REITs raised a record $126 billion from IPOs and secondary offerings in 2021, and private real estate funds are sitting on as much as $250 billion of "dry powder". Some transactions have even been executed with negative leverage — where the financing costs are higher than acquisition cap rates. In multi-family developments, for example, some developers appear to be extrapolating the double-digit rental growth well into the future. Yet surveys have reported that apartment rents are falling from record highs across the U.S. for the first time in nearly two years. Unless these projects can generate unrealistically high rental income growth, it is difficult to see how they could meet investor return expectations.

Commercial Real Estate Average Cap Rate versus 10-Year Treasury Yield



Source: Marcus & Millichap

Even if we do not encounter apocalyptic conditions, commercial real estate will need to adjust to some harsh realities. We will need to invest with extreme diligence, caution and discrimination. Eventually we may even discover some jewels amongst the rubble.

VIEW CAPITAL RIA, LP
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The descriptions included in this report are not meant to be a complete description of the managers' style and methodology and performance. The included descriptions do include alternative investments that may or may not be suitable for the clients' investment profile. Please read the prospectus carefully before investing.

Glossary and Index Definition

•Alerian MLP Index (MLP) - The Alerian MLP Index is a composite of the 50 most prominent energy master limited partnerships calculated by Standard & Poor's using a float-adjusted market capitalization methodology. The index is disseminated by the New York Stock Exchange real-time on a price return basis (NYSE: AMZ). The corresponding total return index is calculated and disseminated daily through ticker AMZX.

•Barclays Capital U.S. Municipal Index – The U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligations, revenue bonds, insured bonds, and prefunded bonds. Many of the sub-indices of the Municipal Index have historical data to January 1980. In addition, several subindices based on maturity and revenue source have been created, some with inception dates after January 1980 but no later than July 1, 1993. In January 1996, Barclays Capital also began publishing a non-investment grade municipal bond index and "enhanced" state specific indices for Arizona, Connecticut, Maryland, Massachusetts, Minnesota, and Ohio. These indices are published separately from the Barclays Capital Municipal Bond Index.

•BofA Merrill Lynch Convertible Bond Index (Convertibles) - The BofA Merrill Lynch Convertible Bond Index tracks the performance of US dollar denominated convertible bonds issued in the US domestic market. In addition, qualifying securities must have at least one-year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of $100 million.

•BofA Merrill Lynch Perpetual Preferred Securities Index (Preferred) - The BofA Merrill Lynch Fixed Rate Preferred Securities Index tracks the performance of US dollar denominated preferred securities issued in the US domestic market. Qualifying securities must be rated investment grade (based on an average of Moody's, S&P and Fitch) and must have an investment grade rated country of risk (based on an average of Moody's, S&P and Fitch foreign currency long term sovereign debt ratings).

•BofA Merrill Lynch US High Yield Master II Index – This index tracks the performance of below investment grade US dollar-denominated corporate bonds publicly issued in the US domestic market.

•BofA Merrill Lynch EM External Debt Sovereign Index – This index tracks the performance of US dollar-denominated debt issued by sovereign issuers in countries belonging to emerging markets.

•BofA Merrill Lynch Mortgage Master Index – This index tracks the performance of US dollar-denominated mortgage securities.

•BofA Merrill Lynch Municipal Bond Index – This index tracks the performance of US dollar-denominated investment grade tax-exempt bonds.

•Credit Suisse Leveraged Loan Index – This index tracks the investable market of the U.S. dollar denominated leveraged loan market. It consists of issues rated "5B" or lower, meaning that the highest rated issues included in this index are Moody's/S&P ratings of Baa1/BB+ or Ba1/BBB+. All loans are funded term loans with a tenor of at least one year and are made by issuers domiciled in developed countries.

•JP Morgan Emerging Market Bond Index (EMBI+) - The Emerging Markets Bond Index Plus tracks total returns for traded external debt instruments in the emerging markets. The instruments include external-currency-denominated Brady bonds, loans and Eurobonds, as well as U.S. dollar local markets instruments. The EMBI+ is concentrated in instruments from the three major Latin American countries (Argentina, Brazil, and Mexico), reflecting the size and liquidity of these external debt markets. The non-Latin countries are represented in the index by Bulgaria, Morocco, Nigeria, the Philippines, Poland, Russia, and South Africa.

•MSCI Emerging Market Index (Emerging Market Equities) - The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of March 2015, the MSCI Emerging Markets Index consisted of the following 23 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates.

•MSCI Frontier Market Index – The MSCI Frontier Market Index is a free float-adjusted market capitalization index designed to measure equity market performance of the frontier markets. As of March 2015, the MSCI Frontier Markets Index consists of the following 24 frontier market country indices: Argentina, Bahrain, Bangladesh, Bulgaria, Croatia, Estonia, Jordan, Kenya, Kuwait, Lebanon, Lithuania, Kazakhstan, Mauritius, Morocco, Nigeria, Oman, Pakistan, Romania, Serbia, Slovenia, Sri Lanka, Tunisia, Ukraine, and Vietnam.

•Russell 2000 Index (TR) - The best-known of a series of market-value weighted indices published by the Frank Russell Company. The index measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization.

•Russell 1000 Index (TR) –A market-value weighted indices published by the Frank Russell Company. The index measures the performance of the largest 1,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization.

•S&P 500 Index (TR) -Widely regarded as the best single gauge of the U.S. equities market, this world-renowned index includes 500 leading companies in leading industries of the U.S. economy. S&P 500 is a core component of the U.S. indices that could be used as building blocks for portfolio construction. It is also the U.S. component of S&P Global 1200. Total return (TR) provides investors with a price-plus-gross cash dividend return. Gross cash dividends are applied on the ex-date of the dividend.

•FTSE NAREIT US Real Estate Index Series – The FTSE NAREIT US Real Estate Index Series is designed to present investors with a comprehensive family of REIT performance indexes that span the commercial real estate space across the US economy, offering exposure to all investment and property sectors. In addition, the more narrowly focused property sector and sub-sector indexes provide the facility to concentrate commercial real estate exposure in more selected markets.

Data Sources: Bloomberg, L.P., JPMorgan, BofA Merrill Lynch, Standard and Poors, Barclays Capital, Alerian, Morningstar Direct, MSCI, HFR, Goldman Sachs, Trading Economics, HIS Markit, Eurostat, Eaton Vance.