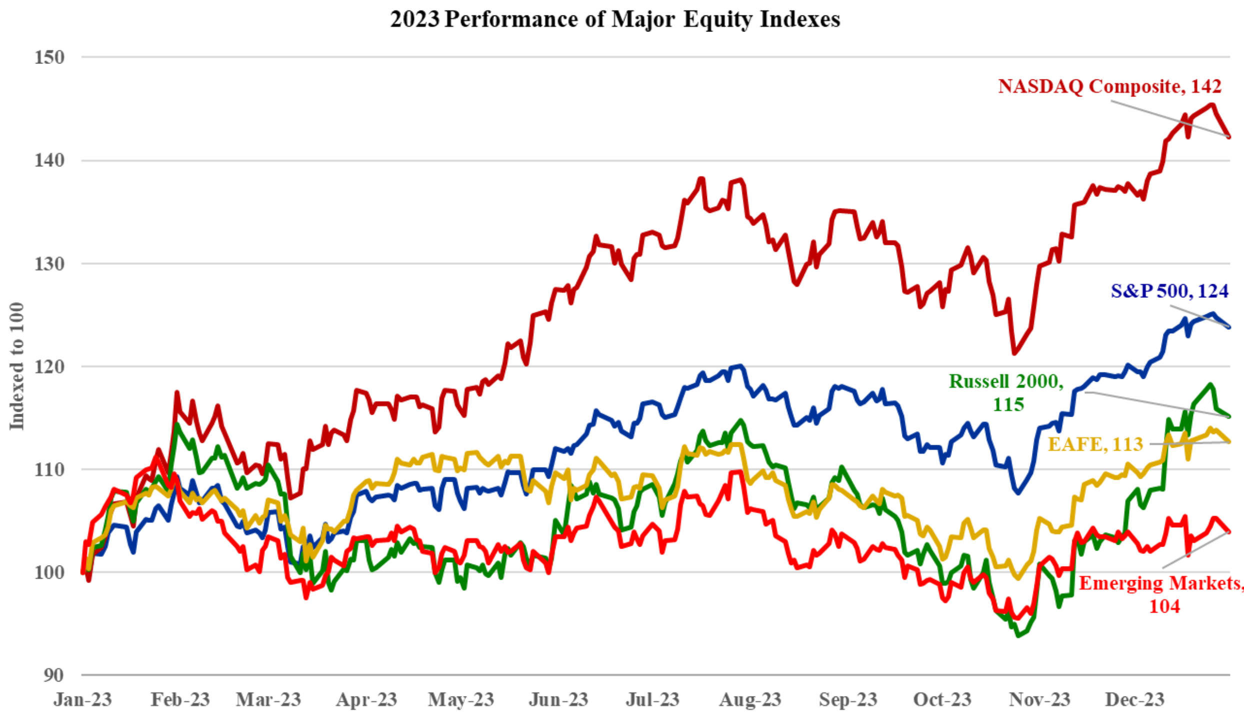
Quarterly Review and Strategy Update

December 31, 2023



Source: Investing.com

- **The Federal Reserve's pivot towards lower interest rates sparked a powerful year-end rally in both bond and equity markets**
- **All financial assets end the year with positive returns except for some areas of real estate and private equity**
- **Asset allocation becomes a challenge in 2024 as public markets are priced to perfection**

View Capital Advisors, LLC

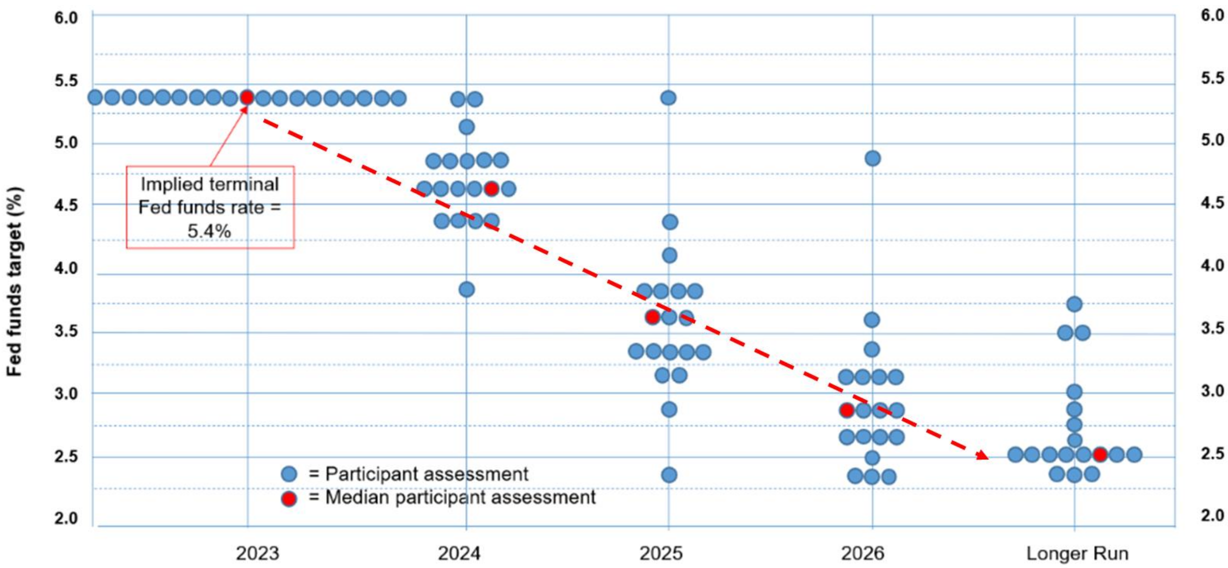
2727 N. Harwood, Suite 225
Dallas, TX 75201
Tel: 214.855.2550
www.view-cap.com

Ken Shoji, CFA
kshoji@view-cap.com

Matthew Anthony
manthony@view-cap.com

THE ECONOMIC ENVIRONMENT

The Federal Reserve Open Market Committee's Forecasts of The Federal Funds Rate ("The Dot Plot")



Source: The Federal Reserve, The Real Economy Blog

The financial markets celebrated the passage of 2023 with equity markets just shy of their all-time highs and bond markets having escaped a third year of losses. Inflation trended down without nudging unemployment higher, and the economy did not fall into the recession that the majority of economists had predicted at the start of last year. At its final meeting of 2023, the Federal Reserve delivered an unexpected Christmas gift, signaling a pivot towards lower interest rates. In his press conference, Chair Powell said current monetary policy was well into "restrictive territory," and the Fed was "very much focused" on the risk of keeping rates too high for too long (having previously argued that it might have to keep them "higher for longer"), and would need to start cutting rates "way before" inflation reached its 2% target. Moreover, in just three months, he and his fellow colleagues on the Federal Open Markets Committee appear to have changed their opinions about the state of the economy. When the Committee last published its "Dot Plot" (in which the Committee's members indicate their projections of interest rates on a chart) in September, it surprised the markets by showing that a majority expected to raise rates once more in 2023, triggering a surge in bond yields. The December Dot Plot, however, showed that the committee's median forecast called for the Fed Fund Rate to be 0.75% lower next year – to about 4.7% – and for rates to be much lower over the next few years.

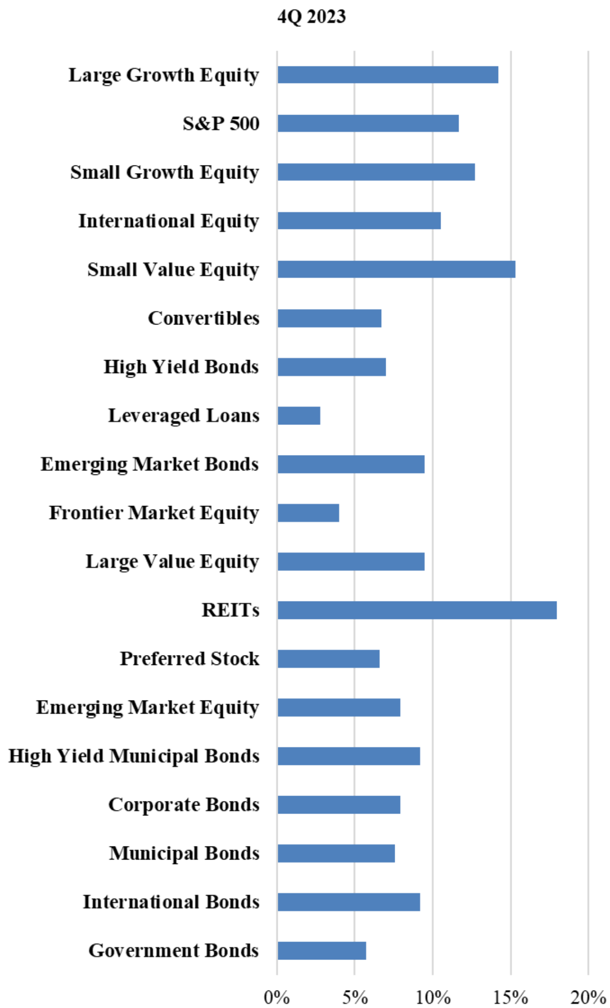
The bond market had clearly anticipated these revised forecasts, trading the 10-year note yield down almost a full percent from its peak at the end of October. The market was clearly convinced that financial conditions needed to be loosened now rather than later to avoid a recession just as it had anticipated the Federal Reserve's inflation concerns by forcing rates upwards to tighten financial conditions earlier in the year. Regardless of whether Powell or the financial markets deserve credit, a soft landing for the economy appears to have been achieved. U.S. GDP is expected to have grown by around 2.5% for the full year on the back of a remarkably strong 5.2% increase in the third quarter and an estimated 2% gain in the fourth. While the Consumer Price Index is still above the Fed's 2% target, it fell to 3.1% in November from 3.2% the previous month. Energy costs have declined every month since February, and the cost of shelter, which comprises about a third of the index, is expected to continue to ease. Moreover, in the final week of December, the Bureau of Economic Analysis reported that the Personal Consumption Expenditures Price Index, the Federal Reserve's preferred metric to gauge inflation, declined by 0.1% in November over the previous month, to a year-over-year rate of just 2.6%. So, inflation may have been tamed without an unpalatable jump in unemployment. 199,000 jobs were added in November, following 150,000 in October and 262,000 in September. While more people are coming back into the workforce, the overall unemployment rate remains at just 3.7%.

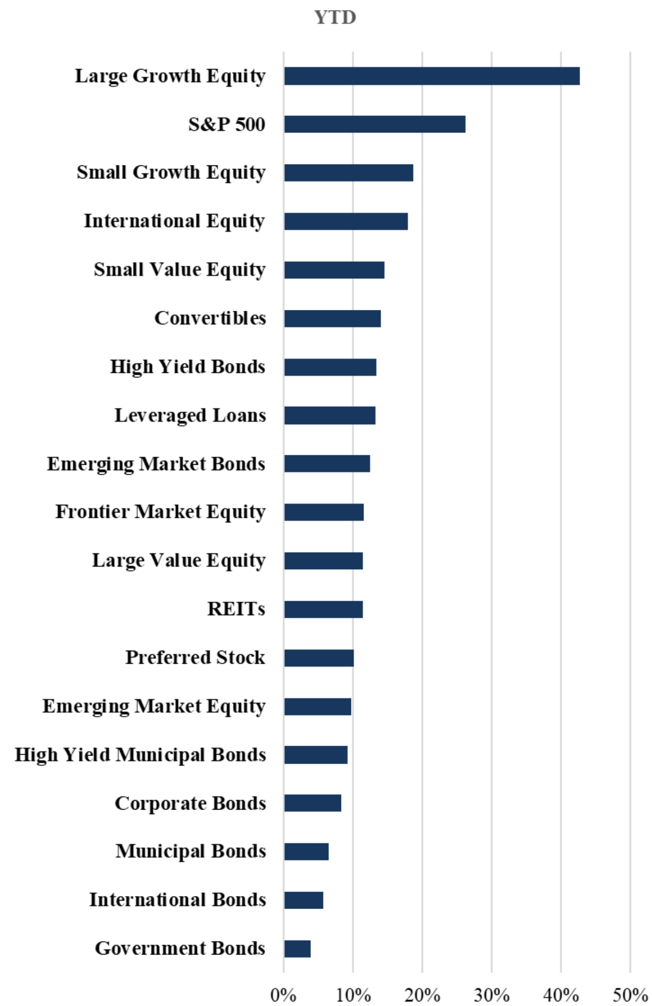
Can these benign and balanced conditions continue into 2024? We need to remember that the dominant economic narrative since the advent of Covid has shifted schizophrenically from "the world is coming to an end" to "inflation is spiking but don't worry, it's transitory" to "oh no, it may be higher for longer" and back to "inflation has been vanquished!". While the soft landing is the consensus forecast today, we should consider the potential outlier scenarios at either tail: stronger economic growth with a persistently stubborn inflationary backdrop or a deflationary recession. In the former scenario, GDP marches on above trend and core inflation refuses to drop towards the Fed's 2% target. Stickier services inflation, which accounts for a much larger chunk of the economy than goods, remains at double pre-pandemic levels. Tight housing inventory keeps mortgage loans and shelter costs high. Despite the depletion of the saving rate down to 3.8% (compared to the 8.5% average from 1959 until 2023), the American consumer continues to spend, encouraged by the wealth effects from rising housing prices and renewed stock market appreciation. This scenario might compel the Fed to reverse course yet again and raise rates sharply in an effort to kill inflation once and for all.

At the other extreme, the delayed impact of tight financial conditions becomes manifest, triggering a recession. The Conference Board's Leading Economic Index declined by 0.5% in November; it has now contracted by 3.5% over the past six months. "The index continued declining in November, with stock prices making virtually the only positive contribution to the index in the month," said Justyna Zabinska-La Monica at the Conference Board. "Housing and labor market indicators weakened in November, reflecting warning areas for the economy. Manufacturing new orders were essentially unchanged, pointing to a lack of economic growth momentum in the near term. Despite the economy's ongoing resilience…the Index suggests a downshift of economic activity ahead." A profit recession requires companies to cut costs, labor and business investment. Commercial real estate debt defaults plague banks. In this scenario, the Fed reverts to its crisis playbook by slashing rates much faster than market expectations and even at the expense of a political backlash by doing so on the eve of an election.

No one predicted the Covid pandemic or the Fed's response in cutting rates by 1.5% or that it would push rates up 4.5% after penciling in a 1% increase at the start of 2022. So, predicting the course of the economy is challenging. However, it is worth noting that there is a record $6 trillion of dry powder sitting in money market funds today. If rate cuts do materialize, it will encourage investors to put the money to work in risk assets. Despite lofty valuations, fear of missing out and momentum may drive markets up further in 2024.

4th QUARTER AND YEAR-TO-DATE PERFORMANCE OF MAJOR ASSET CLASSES

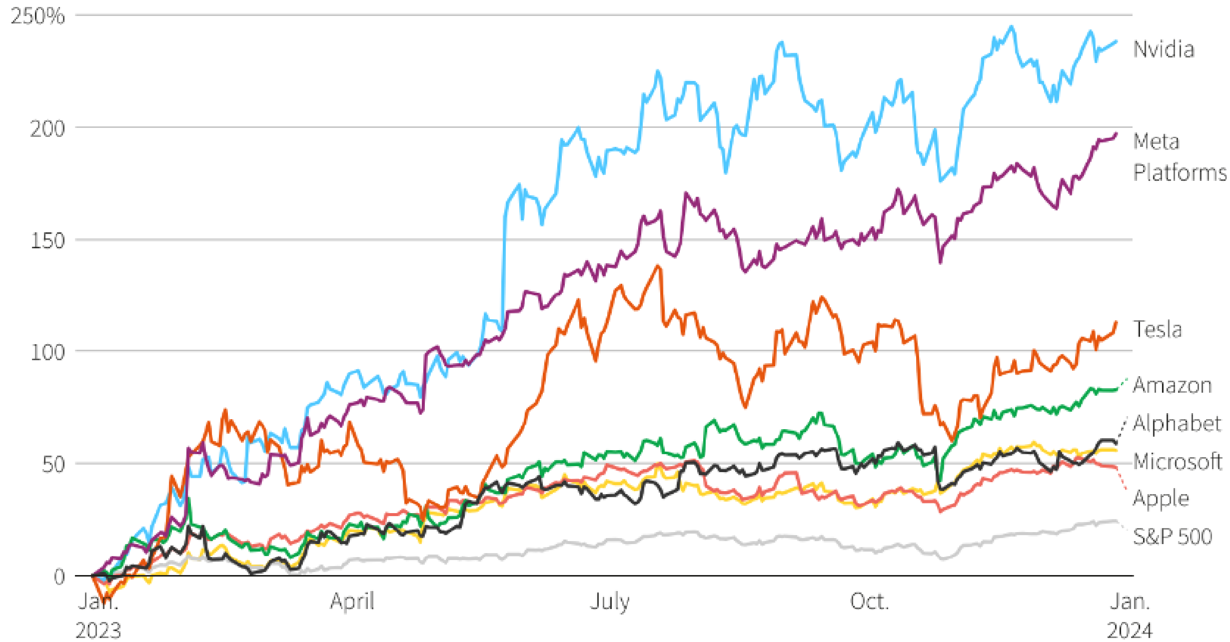




Source: Morningstar

EQUITIES

The Performance of the "Magnificent Seven"



Source: Reuters

Equity markets followed a subpar third quarter with a very strong year-end performance, with the S&P 500 Index up 24.4% and the NASDAQ Composite Index up over 42% for the year. The performance for the final quarter of 2023 came from all sectors of the market, with growth and value stocks up 14.5% and 9.47% respectively, allowing both to recover all their 2022 losses. Several events in the quarter contributed to this positive performance. First, strong economic data and cooling inflation for two consecutive months fueled market optimism. Second, Fed Chair Jerome Powell signaled an end to rate increases, with a possibility for rate decreases heading into 2024. Third, investors largely ignored the turmoil in Congress, including both Speaker McCarthy's ousting and the delayed government funding packages. Investors have also mostly brushed off the impact of the Israel/Hamas war, as it currently has not widened into a larger regional conflict.

As we have discussed during the year, most of the appreciation of the S&P 500 Index came from just seven stocks. The "Magnificent Seven" stocks gained 75% for the year, with the rest of the index up only 12%. While much of this appreciation can be attributed to hype over artificial intelligence, total earnings in the index would have been flat without the seven companies – the earnings of the Magnificent Seven were up 33% while those of the remaining 493 companies were down 5%. The aggregate capitalization of the Magnificent Seven represents 29% of the S&P 500 index – the largest portion of S&P 500 market cap ever dominated by just seven stocks. A similar phenomenon occurred in the late 1990's, when Microsoft, Intel, Cisco, and Dell (dubbed "The Four Horsemen") comprised an outsized portion of the S&P 500's market capitalization during the dot-com boom. When the internet bubble burst, the S&P 500 lost nearly half its value, with the Four Horsemen hit especially hard. Only Microsoft's stock price has recovered from the dot-com bust. Intel and Cisco Systems remain below their 2000 highs, while Dell, the fourth member, has since been taken private.

The dominance of a few stocks in the benchmark has also posed a challenge for active managers, who found it almost impossible to match the performance of the S&P 500 Index last year. Many mutual fund managers are generally constrained from building portfolios with such a large concentration of risk. Moreover, since the Magnificent Seven are trading at sky-high valuations with average forward P/E ratios of over 50x compared to the 20x multiple of the overall index, many managers may be reluctant to own these stocks. Some managers may nevertheless feel pressured to buy these stocks for fear of falling further behind their peers and the index.

So, does the narrow breadth of the current market raise cautionary flags? Goldman Sachs believes that their dominance could continue into 2024. "The 7 stocks have faster expected sales growth, higher margins, a greater re-investment ratio, and stronger balance sheets than the other 493 stocks and trade at a relative valuation in line with recent averages after accounting for expected growth," wrote David Kostin, the firm’s chief US Equity Strategist. While these fundamentals appear compelling, we should be skeptical about relying too much on Wall Street predictions. The past few years have been especially turbulent for the financial markets, making forecasting a perilous endeavor. The chart below shows the predictions made by some banks for the year-end level of the S&P 500 Index for the past four years. In 2020, 2021 and 2023, all of these banks underestimated the eventual level by 14%, and in 2022, the group over-estimated the level by 29%!

Wall Street’s Forecasts for the S&P 500 Index

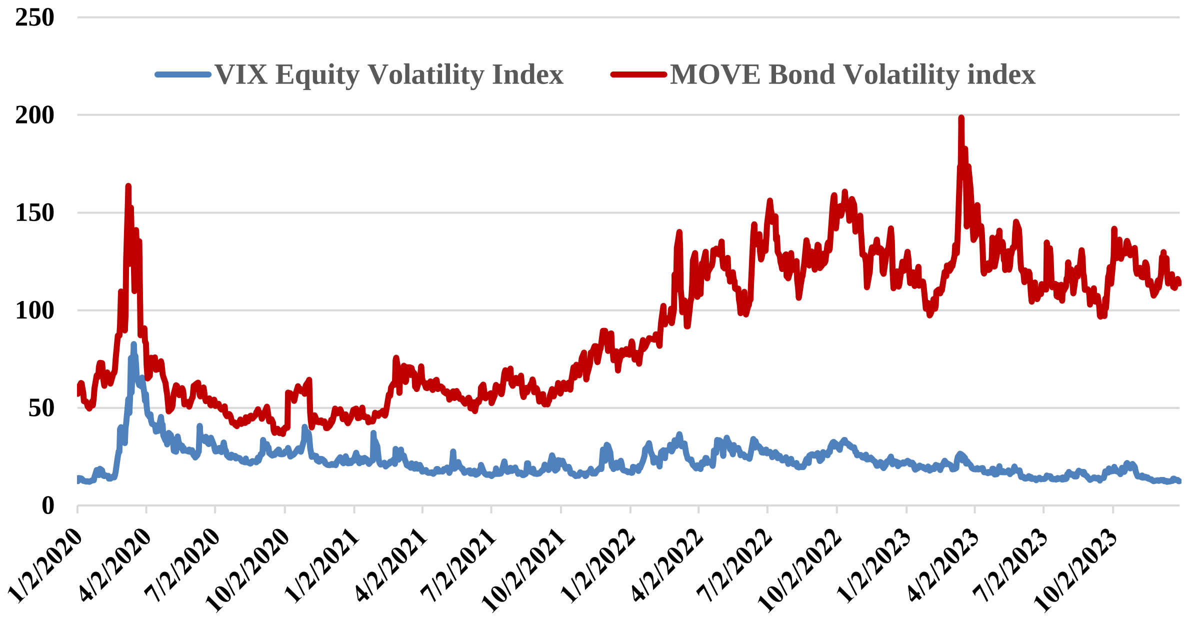
Forecasts for the Year-End Level of S&P 500 Index					
Banks	**2020**	**2021**	**2022**	**2023**	**2024 Est.**
J.P. Morgan	3,400	4,400	5,050	4,200	4,200
Goldman Sachs	3,400	4,300	5,100	4,000	5,100
Morgan Stanley	3,000	3,900	4,400	3,900	4,500
Bank of America	3,300	3,800	4,600	4,000	5,000
Royal Bank of Canada	3,350	4,100	5,050	4,200	5,000
Bank of Montreal	3,400	4,200	5,300	4,300	5,100
Deutsche Bank	3,250	3,950	4,750	4,500	5,100
Wells Fargo	3,388	3,900	5,200	4,200	4,700
UBS	3,000	4,100	4,850	3,900	4,700
Citigroup	3,375	3,800	5,100	3,900	5,100
S&P 500 at Year End	***3,756***	***4,766***	***3,839***	***4,769***	***?***
Average % Deviation	*12.5%*	*15.1%*	*-28.7%*	*13.8%*	*?*

Source: Forbes, Yahoo Finance

Both the VIX index, a measure of future market uncertainty, and the ratio of put-to-call options, an indicator of hedging activity, are signaling that investors are bullish and unconcerned about market volatility. The banks listed above, however, are predicting just a 2% gain from today’s level. Who will be right? This disconnect may matter more as investors will increasingly look to earnings to justify high valuations. We are maintaining equity allocations with balanced exposure to growth and value as well as looking to add international equities due to a potentially weaker Dollar and cheaper valuations.

BONDS

Bond and Equity Market Volatility

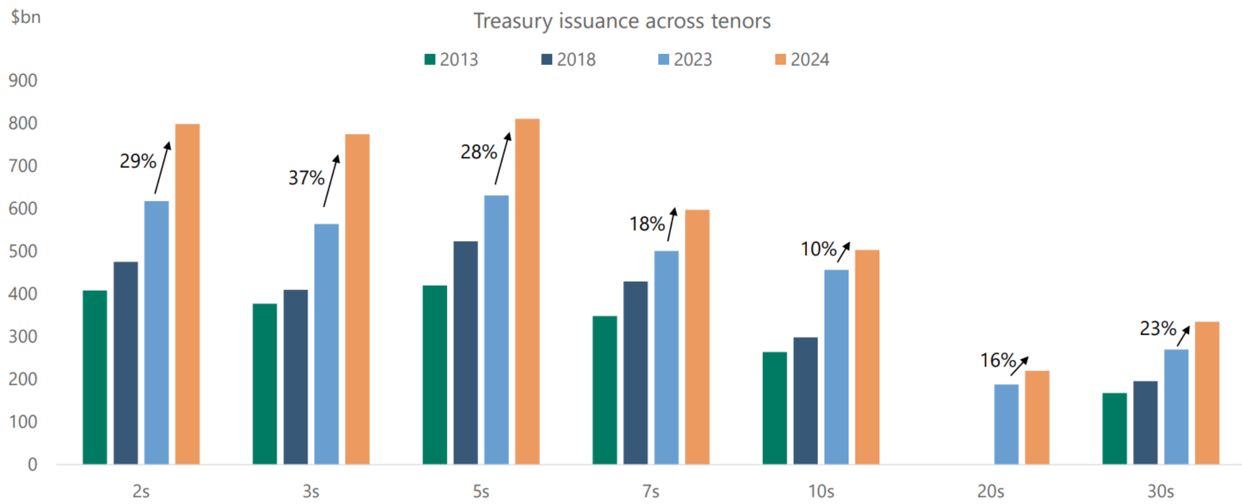


Source: Investing.com

In a sharp reversal of trends in the third quarter, bond prices gained in the final quarter of the year as the Federal Reserve signaled a pivot towards lower rates in 2024. Treasury yields dropped sharply, with the 2-year note and the 10-year note yield ending the year at 4.8% and 3.9%, respectively. The swings in the 10-year Treasury yield have been extreme. Since peaking at 5% at the end of October, its yield has fallen by over 1%, resulting in an almost 9% price gain. Fixed income assets across the board – municipals, investment grade corporate debt, high yield and even emerging market debt – have all appreciated steadily since mid-October, sparing investors a third consecutive year of losses in bonds.

The prospect of high current yields combined with the prospect of lower risk rates next year has prompted many wealth managers to recommend an increase in allocations to bonds. While we would concur, particularly for investors whose allocations have been small or non-existent, we would caveat our views with some words of caution. First, in contrast to equity market volatility, which has been steadily declining, bond market volatility has risen steadily since the onset of Covid. This elevated volatility has been triggered not only by Federal Reserve actions and geopolitical developments but by Treasury bond auctions whose results have often surprised market players. As the pace of Treasury issuance rises to finance an ever-growing Federal deficit, and the withdrawal of foreign investors concentrates buyers into a smaller domestic pool, auction outcomes have become more unpredictable. Over the next 12 months, $8.5 trillion – or 33% of government debt outstanding – will mature and need to be refinanced.

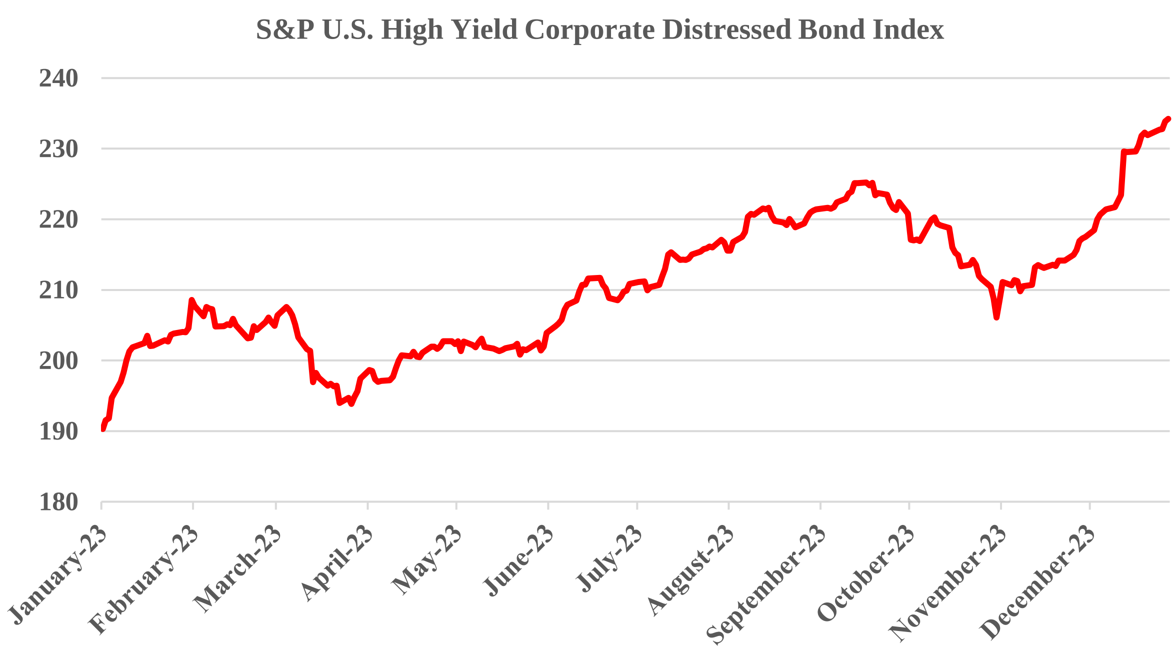
Treasury Auction Sizes in 2024 to Increase on Average 23% Across the Yield Curve



Source: Apollo

Investors may, therefore, need to be more willing to accept rapid mark-to-market changes in their bond portfolios and recognize that this higher volatility may be a new cost to owning assets that provide income and portfolio protection.

High Yield Bonds Under Stress



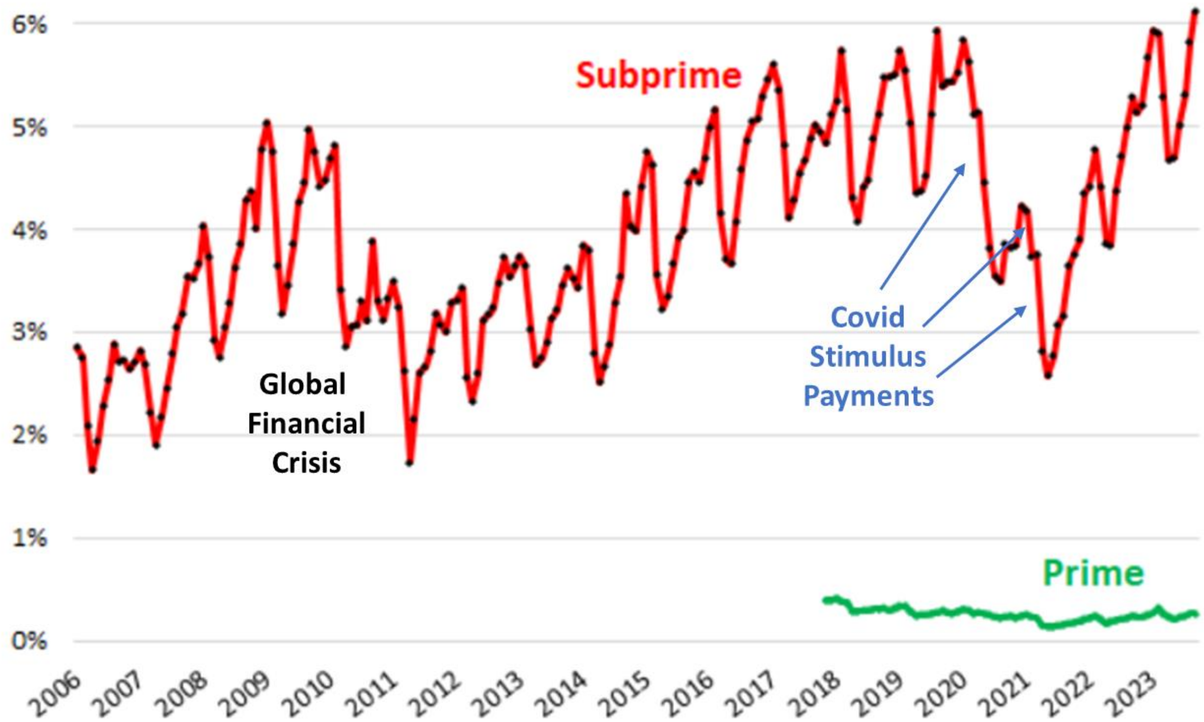
Source: S&P Global

The second caveat is that credit spreads have been tightening since the spring despite evidence of increasing stress in the market. S&P Global's Index of distressed U.S. high yield corporate bond issuers has ticked up during 2023. This year, 591 U.S. companies have filed for bankruptcy and 80 U.S. corporations have defaulted on their debt, surpassing the 2012-2022 annual averages by 14% and 21%, respectively. For leveraged loan issuers, defaults are anticipated to climb from the current level of 5%, peaking at 6.7% in the first half of 2024, before moderating to 5.2% by the end of the year. High-yield bond issuers are expected to experience peak defaults at 4.6% in the first half of 2024, exceeding the long-run average of 4%.

An explanation for the apparent disconnect between increasing credit stress and tighter bond spreads may lie in the unusual economic conditions in this cycle. High inflation in the past has not necessarily led to a jump in corporate default rates, which may be counter-intuitive – one might think that companies would typically face demand uncertainty, profit squeezes from supply chain disruptions, and increased wage and input growth that would erode profits. However, many businesses have shown remarkable pricing power, passing on costs to customers. The pandemic also prompted many borrowers to fix interest at much lower absolute levels. High nominal revenue growth has helped companies service previously incurred debt that has fallen in real value terms, improving leverage metrics.

While these developments have been positive for existing investors, it poses a challenge for allocations going forward. “We have had an ‘everything rally’ at the year’s end. The magnitude is breathtaking,” said Sonja Lund, Chief Investment Officer at Legal & General Investment Management. “I’m worried about that. There’s no room for error.” Some observers believe that the confluence of events required to sustain the rally is unlikely. Logically, if elevated inflation helped many corporate borrowers, shouldn’t declining inflation lead to reverse conditions and widen credit spreads? New York University professor Edward Altman, whose scoring methodology analyzes corporate defaults, predicts that the benign credit cycle that has prevailed since 2010, with only a brief interruption for the pandemic in early 2020, is over thanks largely to rising interest rates. He warns that a recession could lead to corporate default rates of “perhaps 10% or more.” Dimos Andronoudis, an economist at Fathom Consulting, also suggests that only 10% of US-listed companies are showing strong financial health, the lowest on record, and that more companies are close to bankruptcy even than in 2007-09. Meanwhile, the Federal Reserve’s most recent quarterly survey of senior bank lending officers shows that banks are tightening lending standards and loan demand is collapsing for both business and consumer borrowers. In the past, these developments have strongly correlated with rising credit spreads, but not apparently in 2023. As in many areas of the capital markets today, there appears to be a disconnect between market sentiment and historical experience. Investors need to step into the bond markets with care. We are looking to add exposure selectively in higher quality corporates and municipals as rates are attractive and they tend to fare better during uncertain economic times. Investors may want to consider adding duration while being mindful of heightened volatility surrounding Fed action.

Subprime Auto Loan Delinquency Index, % of Total ABS Balances as Tracked by Fitch Ratings



Source: Fitch Ratings, Wolf Street

With inflation under control, unemployment at historical lows and the equity markets approaching all-time highs, it is hard to find bad news spoiling the rosy narrative. Yet Fitch Ratings reported in December that the percentage of subprime borrowers who were at least 60 days past due on their car loans had risen to the highest level since 1994, even above the level seen during the Global Financial Crisis when unemployment spiked to 15%. Beneath the veneer of robust economic growth, there might be warning signs that some American consumers might be hurting considerably from the impact of inflation and high interest rates. Rising delinquencies and defaults, not just in car loans but in other segments of consumer borrowing, point to worrying trends that risk developing into a broader problem if we drift into a recession.

On the surface, delinquencies for subprime auto loans rising above 6% may not sound particularly troubling. At $210 billion, the subprime market is just 14% of the $1.52 trillion total market for car loans and leases. The delinquency rate of “prime” rated auto loans, which constitute the bulk of the market, are at near record lows of 0.2%. Loans to prime borrowers are a low-risk business – even during the depths of the Global Financial Crisis, the prime car loan delinquency rate rose to only 0.9%. Lending to subprime borrowers – defined as those with FICO scores of 600 or lower – however, has always been a precarious proposition, with annualized losses running at around 10%. To be fair, some unique conditions that arose from the Covid pandemic and its aftermath have contributed to this credit deterioration.

Supply chain disruptions led to car prices spiking after Covid: the average new vehicle price today is $49,000 compared to $37,800 before the pandemic, a 30% increase. Used car prices have increased even more. Last year the average car owner spent $900 on maintenance and repairs – not a trivial amount for lower-income borrowers with no savings – and insurance costs have risen 27% since the start of the pandemic. Moreover, interest rates on subprime loans have jumped to 15-20%, up 3% to 6% from just last year, putting greater strain on borrowers. Attracted by these rates, many lenders (including some owned by private equity firms pursuing national roll-up strategies) expanded loan origination volumes aggressively, courting low-income borrowers whose credit scores had been boosted by stimulus checks. As their improved financial picture proved to be temporary, many borrowers struggled to make monthly payments.

The increase in auto loan delinquencies is worrying because both consumer surveys and payment data have consistently shown that when budgets come under pressure, borrowers prioritize car loan or lease payments above other forms of debt. Data from other consumer credit sectors, such as student loans, credit cards and even buy-now-pay-later facilities, also confirm increased consumer stress. Credit card delinquencies have doubled from the trough of 1.5% in the third quarter of 2021. The growth of "buy now, pay later" ("BNPL") installment financing from providers like Klarna, Affirm, PayPal and Afterpay are particularly disturbing, as many younger borrowers seem to have misguided views about the risks of these plans. Under Klarna's "Pay in 4" plan, for example, a consumer can buy a $120 pair of jeans with a $30 initial payment, with the balance to be paid in 3 installments every 2 weeks. Since no interest is charged (the cost of financing and processing that may be three to four times those of the average credit-card processing fee, is paid by the merchant) the consumer often feels they have greater buying power. A recent academic study showed that consumers spent 20 percent more with these plans than they otherwise would have done. Retailers often heavily promote BNPL purchases.

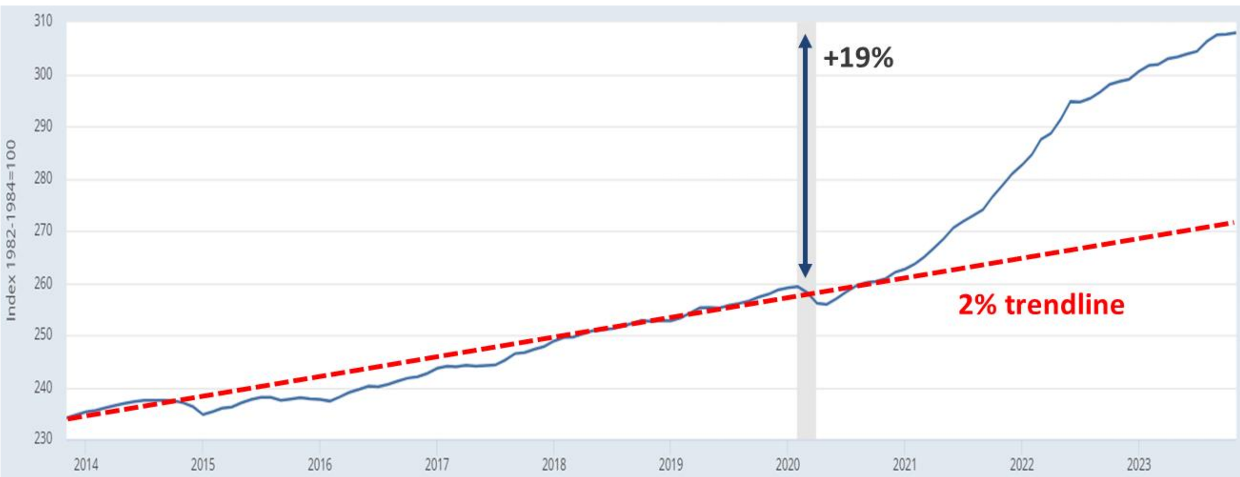
Minorities and women are the heaviest BNPL users, whose average FICO score is about 660 – just above the subprime threshold. Many users who become addicted to paying for everything – even their morning coffee – using these services may not be aware that many BNPL companies have been moving away from just allowing users to defer payments with no-interest to charging very high interest rates. Affirm, one of the leading BNPL companies, boasted to investors that 74% of their gross merchandise volume in the latest quarter consisted of interest-bearing loans. Michael Linford, the company's Chief of Finance, said more than 90% of those loans charged the maximum legal rate of 36% in some states. Not surprisingly, the Consumer Financial Protection Bureau found that Buy Now, Pay Later borrowers are more likely to be vulnerable to sinking into debt: "BNPL borrowers were, on average, much more likely to be highly indebted, revolve on their credit cards, have delinquencies in traditional credit products, and use high-interest financial services," a recent report from the agency concluded.

Financial challenges are not just a problem for those on the lowest rungs of the economic ladder. The Wall Street Journal recently profiled a middle-class professional who had to start a GoFundMe fundraise after he lost his job and couldn't afford his car payment:

"*Chris Woodward, of Cedar Falls, Iowa, was laid off from his software job in August, his second job loss in eight months. Soon after, he fell behind on the loan tied to his 2011 Ford Flex. While looking for a new* *job, he also fell behind on rent and ran up his credit-card bill, he said, "It's weird to go from having a good salary and not stressing, to, 'How am I going to buy diapers?'"*

Americans have depleted their savings to pre-Covid levels. Now that government stimulus checks, mortgage and rent forbearance, eviction moratoria and student loan deferrals are over, consumer credit delinquencies are predicted to rise. Headline inflation data focuses on the *rate of change* of inflation, but not the absolute level of prices. As economist Lyn Alden points out, the consumer price index is cumulatively up 19% since the start of 2020. Given the Fed's target of 2% per year, it should instead be up by just 8%. At the same time real median household income in the United States has gone down by 3% from $76,660 in 2020 to $74,580 in 2022. The permanently higher plateau in prices is why, although prices are cooling in rate of change terms, the cost of goods and services is still painful for a lot of lower-income consumers.

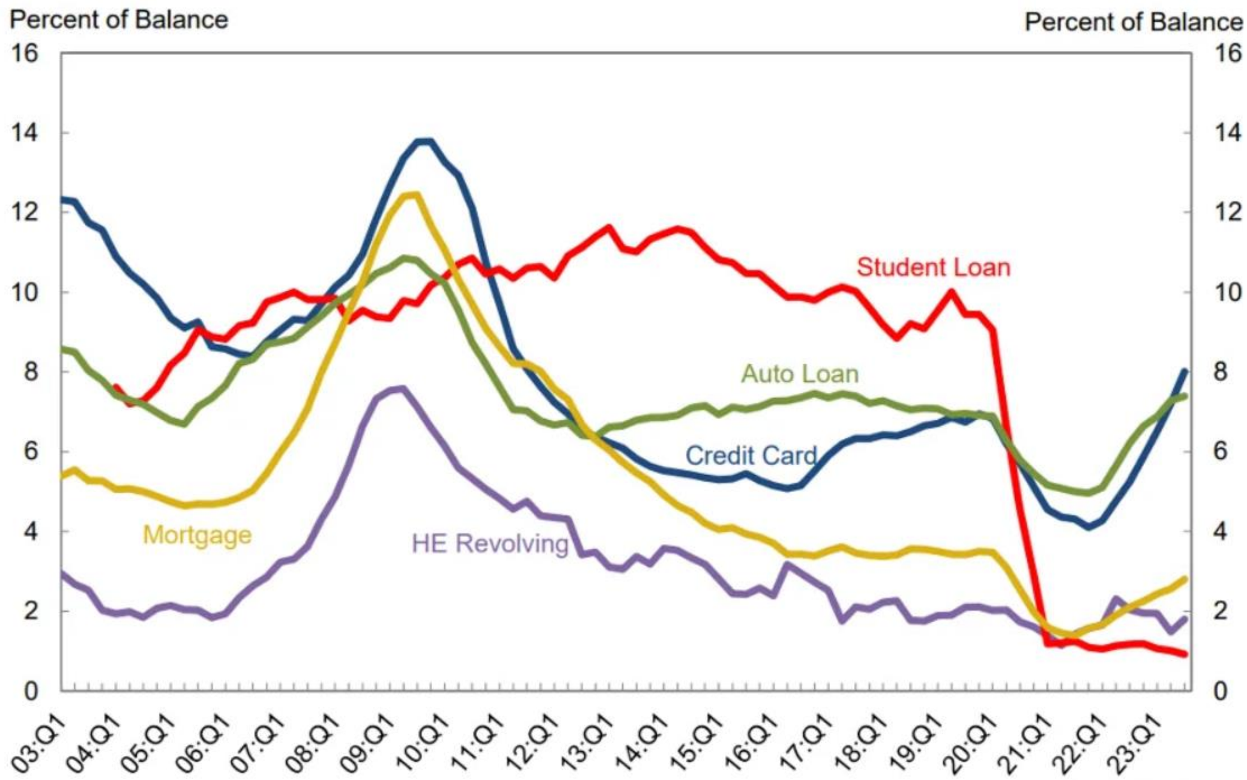
The Consumer Price Index for All Urban Consumers



Source: Federal Reserve of St. Louis, Lyn Alden

It is true that the size and scope of consumer debt is nowhere near the magnitude of the subprime mortgage debt that helped trigger the Global Financial Crisis (Household debt to GDP is 70% compared to 100% during that period). Yet when employed workers struggle to find the $500 to make their monthly car payments, the economy may not be in as good a shape as the current market euphoria may suggest. Subprime credit delinquencies may be the canary in the coal mine.

30-Day Delinquency Rates



Source: Cross River, New York Federal Reserve, Equifax

VIEW CAPITAL RIA, LP
Past Performance is No Guarantee of Future Results.

This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities discussed in this report may not be suitable for all investors. View Capital RIA, LP recommends that investors independently evaluate investments and strategies and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Neither the information nor any opinion expressed constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities ("related investments"). This publication was furnished on the condition that it will not form a primary basis for any investment decision. Each investor must make its own determination of the appropriateness of an investment in any securities referred to herein based on the legal, tax, and accounting considerations applicable to such investor and its own investment strategy

View Capital RIA, LP and its affiliate companies might do business that relates to companies covered in its market updates or reports, which may include but is not limited to specialized trading, risk arbitrage and other fund management, investment services and investment banking. View Capital RIA, LP makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in this report change. With the exception of information regarding View Capital RIA, LP, reports prepared by View Capital RIA, LP research personnel are based on public information.

Alternative investments (like the ones described within) may have greater risks than traditional investment. The above performance results have been provided by the investment manager and represent a composite of their actual investment performance for this style, actual individual account results may vary. Past performance is not indicative of future results. The above performance results have been provided by the investment manager and represent a composite of their actual investment performance for this style, actual individual account results may vary. We do not guarantee its accuracy or completeness, and such data may change without notice. Further information may be obtained directly from the investment manager. Other portfolio metrics are calculated by View Capital RIA, LP based on information we deem reliable and accurate. Results reflect realized and unrealized appreciation and the reinvestment of dividends and interest income. Taxes have not been deducted. Performance results represented are gross of fees. Fees, compounded over a period of years, will have an adverse effect on the value of the client’s portfolio. The investment advisory fees are described in Part II of the Manager’s effect on the value of the client’s portfolio. Investment advisory solutions are provided by View Capital RIA, LP, and a registered investment advisor. View Capital Advisors, LLC provides asset allocation and investment advisory services through its affiliated registered investment advisor, View Capital RIA, LP.

Disclosures for Proposed Investment Manager.

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.