INVESTMENT ADVISORY GROUP

2021 OUTLOOK

The Next Phase

Securities and Insurance Products and Services:
- Are Not FDIC or any other Government Agency Insured
- Are Not Bank Guaranteed
- May Lose Value

TRUIST

Wealth

2021 Outlook | The Next Phase

Contents

Executive Summary

We remain positive heading into 2021, with our work suggesting we are in a multi-year bull market, supported by an economy in the early stages of expansion. From depressed levels, the global economy, led by the US and China, is set to show the best growth in a decade, though the path forward will be uneven and highly dependent on the rollout of COVID-19 vaccines.

The first phase of the current bull market, the strongest from a return standpoint, appears to be over. In the next phase, we expect positive but moderating returns, sustained by improved earnings. Several of our studies suggest the potential for 10%-plus equity gains in the year ahead. Elevated investor expectations and vaccine deployment execution are among the primary risks to our outlook, and we expect markets to move in a two steps forward, one step back fashion. Within fixed income, we foresee a modest lift in US yields, a slightly steeper yield curve and continued demand for credit as sectors with rates exceeding inflation dwindle.

Key Takeaways

Economy: A Tale of Two Halves

- Elevated savings and cash balances provide a cushion awaiting vaccine deployment and leaves economy spring loaded
- Second half of the year much stronger than the first half
- We estimate 4.4% US economic growth, the highest since 1999

Equity: Next Phase Begins

- Strongest stage behind us, but market still has upside
- Next phase characterized by positive but moderating returns
- Drivers shifting from P/E expansion to earnings recovery that is underappreciated, and we expect a snapback towards trend

Fixed Income: Higher but Constrained Yields

- Base case outlook: 10-year US Treasury yield range of 0.50-1.50%; most of the upside occurring in the second half
- Increased Treasury supply, recovery, and vaccines should encourage slightly higher yields and a steeper yield curve
- International demand for US fixed income and Federal Reserve purchases to cap major upside yield moves

Key Positioning

- Overweight equity relative to fixed income and cash
- Barbell US small cap overweight with large growth
- Underweight international developed markets, until confirmation of trend change
- Favor Industrials and Materials paired with Technology and Consumer Discretionary
- Overweight high yield and investment grade bonds
- US Dollar to stabilize against developed market currencies

Past performance is not indicative of future results.
Please see important disclosures for additional information

The Next Phase

A Look Back

The past year is a good reminder of Yogi Berra's famous quote, "It's tough to make predictions, especially about the future." It is also one of those years where having the headlines ahead of time may not have been beneficial from an investment standpoint. Indeed, if investors had known at the end of 2019 that the year ahead would see a global pandemic, the sharpest decline in economic growth since World War II, an elongated election process, and mass global protests, many would have been positioned defensively with the expectation of significant losses for the year. Instead, the worst quarter in economic history was followed by the strongest quarter, and the sharpest bear market in history was followed by the sharpest rebound into a bull market.

The past year reinforces the importance of a disciplined investment process in the face of uncertainty. Our weight-of-the-evidence approach helped us navigate our clients through a treacherous period and take advantage of market dislocations. This period also highlights the importance of being flexible and adapting as the data shifts.

Although the pandemic continues and it will forever change our lives, there is now light at the end of the tunnel. Indeed, a singular global focus on finding a solution has led to a miraculous feat—what often took five to 10 years has taken less than a year: a COVID-19 vaccine has been developed and is being deployed. This should instill optimism. That said, the economy and markets will continue to swap between near-term COVID-19 challenges and the promise of vaccine distribution that suggests a way forward. Still, there are more reasons for our constructive view over the next year(s) than reasons for negativity based on obstacles that remain over the next few months.

Economy – A Tale of Two Halves

The global economies' divergent paths to pre-pandemic levels of activity will be inherently volatile as forecasts rely on public health conditions. The successful deployment of vaccines and therapies is expected to improve business and consumer sentiment significantly. However, social distancing measures are set to continue during the first half of 2021, leaving the strongest part of the recovery to the second half of the year. Aided by massive fiscal stimulus and very supportive monetary policy, global savings rates and related cash balances in personal and business checking accounts swelled during 2020. This should provide a cushion as the world awaits broad vaccine distribution. After an estimated decline of 4.4% in 2020, the global economy should grow at a clip closer to 5%, the fastest pace since 2010.

The US and China, the world's two largest economies, remain key drivers of global growth over the next year. China's economy has already rebounded to pre-pandemic levels, and we expect the US to follow suit in 2021. We estimate 4.4% US economic growth, which is roughly twice the pre-pandemic trend and would be the highest rate since 1999. Our work suggests we are in the nascent innings of an economic expansion, albeit uneven both by industry and geographically. Growth appears to be spring loaded to accelerate dramatically for several quarters later in the year and into 2022 given pent-up demand to "do things." Most consumers are in a much better position financially than in a typical post-recessionary exit (e.g., good credit quality, steady incomes for most and wages improving for low-end workers). Europe still appears to be a weaker link, entering the new year with lost momentum given mandatory social distancing due to rising COVID-19 cases on top of shakier fundamentals.

The Next Phase (continued)

Equities – Next Phase Begins

The economic backdrop should be supportive for equities, and we are now set to shift to the next phase of the bull market. Markets have snapped back from deep pessimism and overly depressed levels, placing the current rebound alongside the strongest bull markets of the past 70 years. Our work shows it is typical for stocks to see a notable moderation of gains after the initial thrust off the bottom, and we expect the driver of equity gains to shift from valuation expansion to an earnings recovery. Upside potential remains as the average bull market has gained a cumulative 179% and lasted almost six years versus the current rise of about 65% over nine months.

Forecasting where a market will stand on an arbitrary day, such as December 31, or any other random day, is treacherous at best, especially considering valuations historically have had little correlation with near-term returns. Therefore, we place a much greater emphasis on, and have greater confidence in, market direction and relative opportunities. That said, several of our studies suggest the potential for double-digit stock gains in 2021:

- The S&P 500 has risen 85% of the time while the US economy is in expansion—and the majority of those occurrences (65%) have seen the S&P 500 rise more than 10% on a total return basis.
- Our solid US economic outlook combined with benign inflation has typically been a positive environment for stocks. Since 1950, there have been 10 years where the US economy grew between 3% and 5% and inflation stayed between 1% and 3%, similar to our baseline expectation for 2021. In all cases, stocks rose with double-digit average gains.
- The equity risk premium (ERP), which compares the earnings yield of stocks to Treasury yields, suggests stocks remain attractive on a relative basis. The current ERP is in a zone that has corresponded with an average 10% outperformance of stocks relative to 10-year Treasuries on a forward 12-month total return basis. Furthermore, there is scope for the ERP and uncertainty to decline, supporting stocks, given clarity on the US election and vaccine development.
- Following the first nine months of the previous bull markets since 1950, the subsequent average 12-month total return for the S&P 500 has been 16%.
- Strong price momentum has tended to be a positive on a forward 12-month basis. For example, in November, the S&P 500 posted a monthly return in excess of 10% for the second time in 2020 and only the 13th time since 1950. Historically, stocks have averaged 13% price gains over the next 12 months following past instances.

Still, after such a large rise, stock market valuations are less attractive. But what appears to be underappreciated is that market valuations have been range bound since June. The driver of returns since then has been the sharp rise in earnings. Moreover, surviving companies are set to emerge from this crisis as more efficient and more profitable than ever, aided by the acceleration of technology and productivity trends and declining interest expense. Similarly, following the global financial crisis, corporate profits rebounded stronger than most investors expected—despite one of the weakest economic recoveries in history as cost cutting allowed a greater percentage of revenues to flow to the bottom line earnings number. Accordingly, we view it as very likely that S&P 500 earnings will quickly snap back closer to the longer-term trend—$190 to $200 by 2022—up from the 2021 consensus earnings estimate of $169 (which also has upside potential).

Vaccine deployment execution is a risk to our positive view, as are elevated investor expectations. Several of our investor sentiment metrics show signs of froth, which leaves the market vulnerable to unexpected bad news early into 2021. Thus, markets should continue to move in a two steps forward, one step back fashion.

The Next Phase (continued)

Fixed Income – Higher but Constrained Yields

Similar to our expectation of a tale of two halves for the economy, we anticipate a bifurcated fixed income narrative in 2021, largely shaped by the timeline of COVID-19 vaccines. During the early part of the new year, virus-related setbacks and global economic activity below potential is likely to weigh on yields. Central banks are also set to remain accommodative, and more than $17 trillion worth of debt worldwide is offering sub-zero yields. International demand for US fixed income restrained upside yield moves in 2020 – a phenomenon that will likely continue in the year ahead as US yields remain significantly higher than most developed markets sovereigns.

Some of the forces anchoring US yields in early 2021 should ease later in the year, allowing for intermediate and long US yields to rise modestly alongside improving growth and inflation outlooks. A hefty load of US Treasuries is likely to be issued, further encouraging slightly higher yields and a steeper yield curve.

On the short end, we anticipate the Federal Reserve (Fed) will leave policy rates untouched at 0-0.25% throughout the year and continue its aggressive quantitative easing program. Although the Fed will provide one of the key supports for US fixed income in 2021, the central bank is also a source of uncertainty. The Fed will need to strike a balance between maintaining an accommodative monetary environment without allowing economic growth to push up inflation and interest rates too quickly, which would counteract some of its monetary stance. Given the competing forces, our base case outlook calls for a 10-year US Treasury yield range of 0.50-1.50%, with most of the upside occurring in the second half of the year.

Overall Positioning

Given the aforementioned backdrop, entering 2021, we maintain an equity overweight relative to fixed income. Within equities, we begin the year with a US bias, where economic and earnings trends remain stronger than most parts of the globe. Also, unlike the consensus view, we expect the dollar to stabilize relative to international developed markets (IDM). US political uncertainty should fade while uncertainty in Europe may rise given an important upcoming election in Germany. We expect central banks such as the Federal Reserve and the European Central Bank to shift to more of a steady state equilibrium. Moreover, the euro, the largest component of the US Dollar Index, has already risen double-digits since March and much higher levels would impede the region's economic recovery.

IDM equities appear relatively cheap, but conditions remain challenging. These economies were already in a more fragile state prior to the pandemic. That said, the sector composition of IDM tends to be more cyclically exposed relative to the US, and these markets would likely outperform should the global economic recovery prove stronger than current expectations. We are closely monitoring for improvement in relative earnings, which continue to lag, as well as price trends before upgrading our positon. We are neutral emerging markets, though they appear to be in better shape relative to IDM. China, which accounts for more than 40% of the index, has weathered the pandemic better than most parts of the globe, and emerging Asia continues to impress.

(continued on next page)

The Next Phase (continued)

Overall Positioning (continued)

Within the US, we see a compelling relative opportunity in small caps, and we are pairing that alongside a modest large cap growth tilt. We view this as an effective barbell between cyclical and growth exposure. We anticipate the small cap position should outperform during periods where investors gain confidence in the economic recovery, and view it as a more effective approach to participate in a potential reflation trade relative to large cap value and the international markets. Our large cap growth bias should do well during periods where markets get concerned about uneven economic growth and logistics surrounding the safety and distribution of COVID-19 vaccines.

Likewise, our sector overweights are balanced between economically-sensitive and growth sectors. On the cyclical side, our work suggests Industrials and Materials are in the best position to benefit from a global recovery with earnings and price trends already improving. Conversely, Technology, which was the first sector to see forward earnings move above pre-pandemic levels, and Consumer Discretionary, which should continue to benefit from labor market gains, remain standouts on the growth side. We caveat that this is where our positioning stands entering 2021, but fully expect adjustments along the way given the tactical nature of our sector strategy.

Low global yields in the context of an economic recovery suggest that investors will continue to seek out higher yielding, riskier fixed income. Although the opportunity set has diminished, we still see relative value in credit. We expect high yield and investment grade corporate bonds to outperform, mostly through the yield pickup. Given a wider range of potential outcomes, high quality fixed income should remain an important portfolio ballast.

We are maintaining a positive view on gold, which we upgraded in the fall as a partial hedge against US election and COVID-19 uncertainties. We are closely monitoring the position, though, as clarity on both fronts has taken away some of its luster. Several factors still support gold, including low interest rates, ballooning central bank balance sheets, elevated budget deficits and its portfolio diversification attributes.

Tactical Outlook (3-12 Months)

Asset Classes	Less Attractive			More Attractive	
Equity				●	
Fixed Income	●				
Gold				●	
Cash			●		

Global Equity	Less Attractive			More Attractive	
US Large Cap					●
US Mid Cap			●		
US Small Cap					●
International Developed Markets	●				
Int'l Developed Markets Small Caps	●				
Emerging Markets (EM)			●		
Growth Style Relative to Value				●	

US Fixed Income	Less Attractive			More Attractive	
US Government		●			
US Mortgage-Backed Securities	●				
US Investment Grade Corporate (IG)				●	
US High Yield Corporates (HY)				●	
Floating-Rate Bank Loans		●			
Duration			●		

Sector Strategy

In 2021, the economy should continue to recover with the likely wide-spread implementation of COVID-19 vaccines, though elevated cases may weigh on near-term activity. Consequently, our sector overweights include a mix of cyclical (Industrials and Materials) and growth sectors (Consumer Discretionary and Technology). Last Updated = 12/10/2020

SECTOR	S&P 500 SECTOR WEIGHT	TACTICAL OUTLOOK (3-12M) *Under-weight*		*Over-weight*	T	F	V	COMMENTS
Industrials	8.7%			●	+	+	-	Industrials continue to improve from a relative price performance basis and a fundamental perspective as many companies within the sector experience a pickup in business.
Materials	2.7%			●	+	+	↔	The relative strength of Materials is expected to continue as underlying macroeconomic trends signal that the trough is behind us and that we are recovering. US dollar weakness is a positive.
Consumer Discretionary	11.1%			●	↔	+	-	Profit taking and a shift to the cyclical sectors has caused a pause in the sector, but we remain positive given the expected benefits of a full reopening of the economy.
Information Technology	27.7%			●	↔	↔	-	Improving investor sentiment and rotation into cyclicals has created near-term pressure although not enough, at least not yet, for a change in our opinion given the uneven economic outlook.
Communication Services	11.1%		●		+	↔	↔	Communication Services has shown some recent improvement in technical price trends, although fundamentals and valuations are mixed in our work.
Financials	10.5%		●		↔	↔	+	While challenges remain (low interest rates, tight spreads, credit issues), the outlook is improving, as evidenced by rising price and earnings trends for Financials compared to the broader market.
Health Care	13.7%		●		↔	↔	+	Valuations are attractive and fundamentals are reasonable. However, Health Care has not performed well recently and is challenged with concerns regarding potential regulatory changes.
Energy	2.5%		●		↔	-	+	Recent strong relative performance has been supported by attractive valuations and an improving macro outlook. Long-term, however, supply/demand factors remain material challenges.
Consumer Staples	6.7%	●			-	↔	↔	As the macro outlook improves and as critical unknowns fade (US elections, COVID-19 vaccine timing), defensive sectors, such as Staples, will likely lag; relative price trends are deteriorating.
Utilities	2.8%	●			-	-	↔	Poor relative performance for this "bond proxy" sector is being driven by an increasing expectation for higher interest rates and weak fundamentals.
Real Estate	2.5%	●			-	-	↔	Uncertainty regarding the collectability of rents, in addition to other specific concerns at the sub-sector level, have been weighing on the group, which is comprised almost entirely of REITs.

T = Technical. This factor has the greatest focus in our overall methodology with an emphasis on relative price trends

F = Fundamentals. Includes earnings and sales trends, with an emphasis on recent changes to estimates

V = Valuation. Inputs include current/historical and absolute/relative to the overall market

+ Top Tier, -Bottom Tier, ↔ Middle Tier; Data Source: Truist IAG, FactSet.

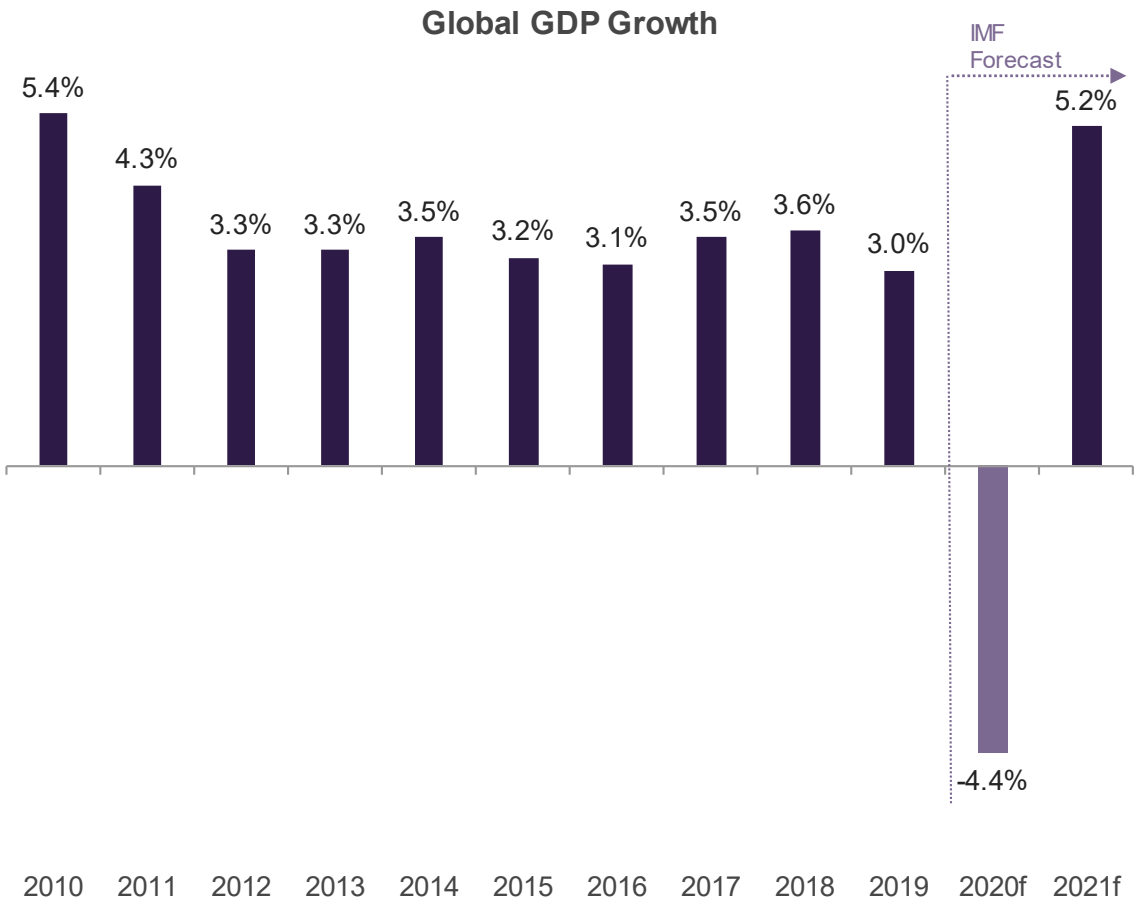
TRUIST

Wealth

Economy

Global Growth Set to Rise at Best Pace Since 2010

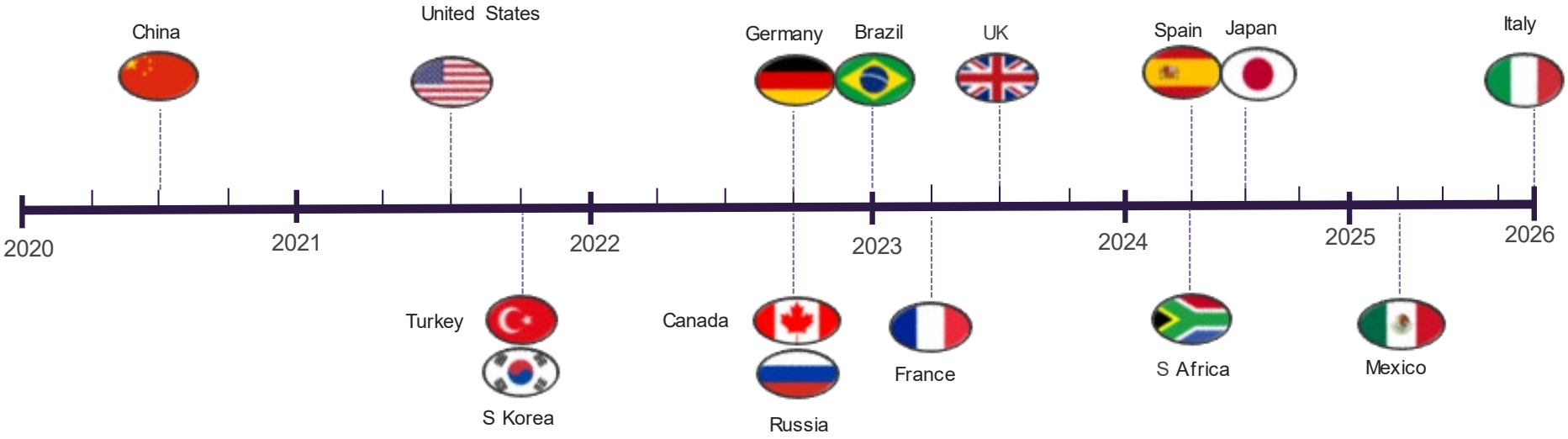
The global economy is set to snap back in 2021, but the path back to pre-pandemic levels of economic activity will be partially contingent on the timing of vaccine deployment.



Data Source: Truist IAG, International Monetary Fund, Bloomberg

Divergent GDP Recovery Timeline to Pre-Crisis Peak, with US and China Leading the Way

The US and China are the world's two largest economies, accounting for about 40% of global GDP. China's real GDP is already back above its pre-crisis level, and the US recovery should follow suit later in 2021. Europe's economy, which entered the pandemic in a more fragile position and saw a sharper decline, will take longer to fully recover.



Data Source: Truist IAG, International Monetary Fund, IHS Markit, Bloomberg

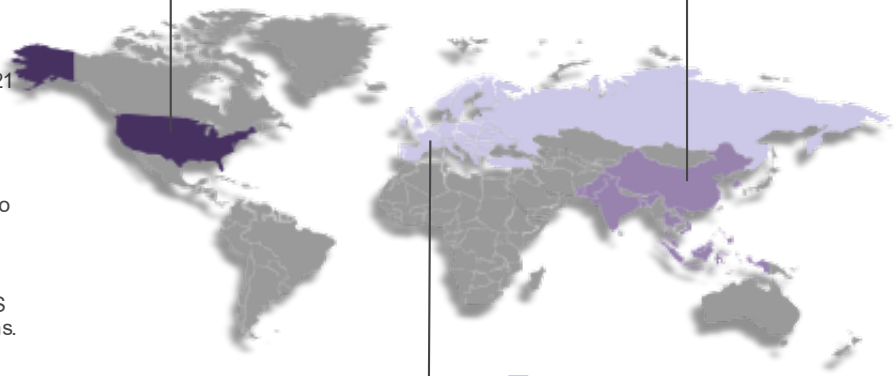
Major Global Economic Regions

United States

Following the brief pandemic-induced recession, the US economy experienced a V-shaped initial recovery phase in the second half of 2020. Going forward, growth will predictably moderate.

We expect a tale of two halves, but once vaccines are fully deployed, we expect US GDP growth to thrive in 2021 with the fastest annual growth rate in more than 20 years, nearly double the pre-pandemic pace of 2.3%.

The pandemic has forced businesses to adapt and innovate, which has driven transformation that we expect will continue for years to come. Innovation and structural advantages favor the US economically among developed nations.



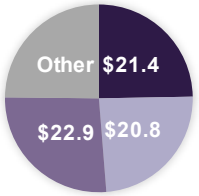
United States | Europe | Emerging Asia

Emerging Asia

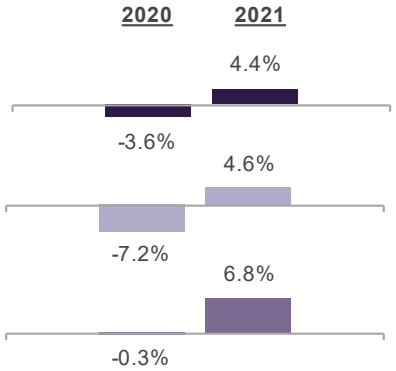
China and Taiwan are the only major economies with positive economic growth rates in 2020. China is expected to grow over 8.5% in 2021, pulling the region out of recession. Liberalization and reforms in its currency account accelerated acceptance of China's renminbi as a reserve currency in 2020. This trend is set to continue in 2021.

The Regional Comprehensive Economic Partnership (RCEP), signed in November, has created a free-trade zone larger than the EU and US-Mexico-Canada agreements. Overall the deal eliminated 90% of tariffs for participating countries. It is expected to shape the region for many years to come. The zone encompasses nearly a third of the world's population and global GDP.

2019 GDP
($86.6 Trillion Total)



GDP Growth Estimates



Europe

Overall economic activity normalized faster than expected during the summer months, and demand for exports, pre-dominantly from Asia, improved industrial production.

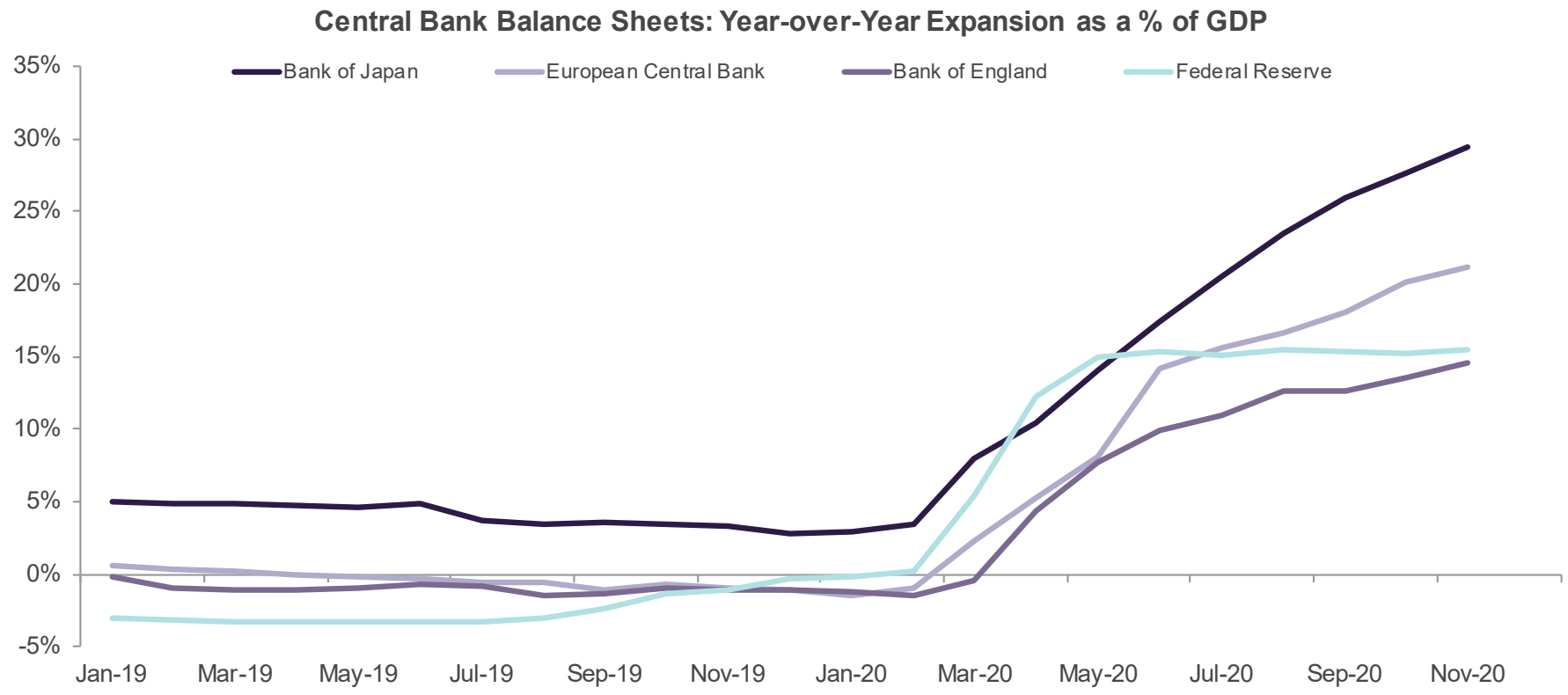
The deep economic drop highlighted Europe's structural weaknesses, such as aging populations, strained government budgets in southern parts of the continent and the heavy influence of the services sectors, like tourism and hospitality.

Broader Europe is expected to have economic growth of 4.6% in 2021, with Germany lagging the average at 4.2% due to experiencing a much shallower recession in 2020. Italy, Spain, France and the UK are expected to see growth higher than 5.0% following double-digit economic losses.

Data Source: IMF, Bloomberg, IHSMarkit

Europe includes developed countries and economies considered to be 'emerging', such as Russia

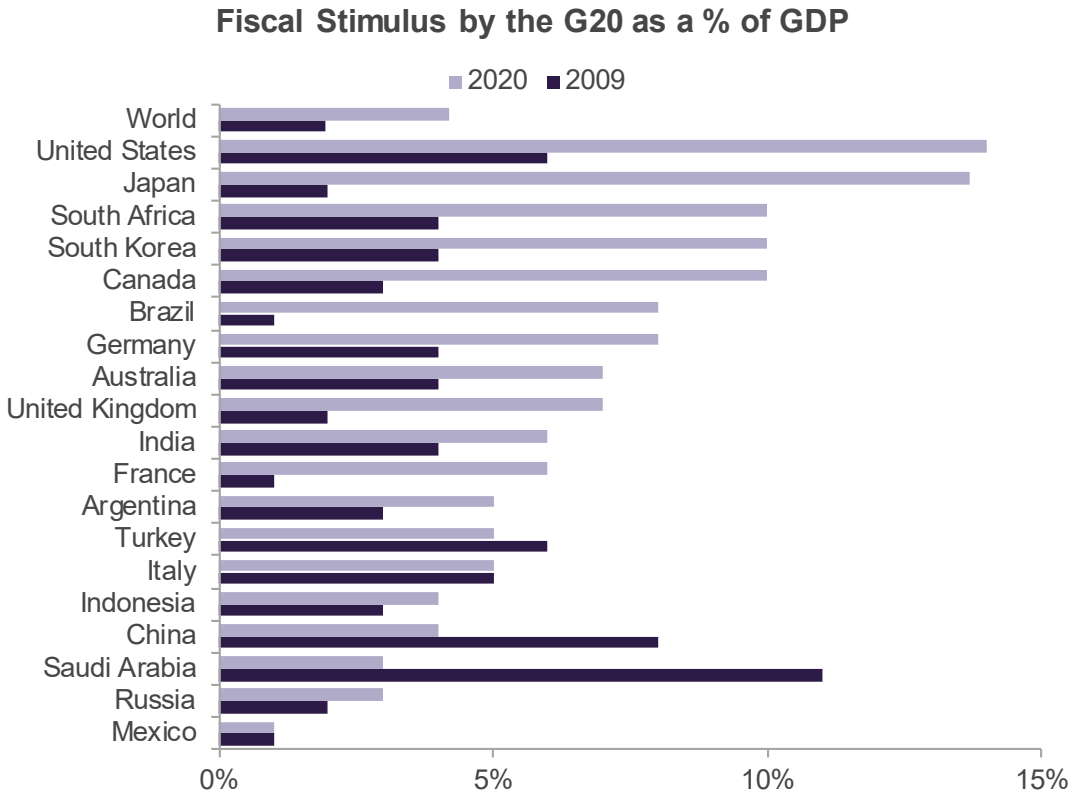
Central Banks to Remain Supportive Through 2021



Data Source: Truist IAG, Bloomberg

Global Fiscal Stimulus Measures Expanded Sharply & More Expected Until Vaccine Is Widely Available

The global fiscal response to the pandemic over the past year has been much stronger and faster than what occurred during the Great Financial Crisis. This has helped to stave off a deeper economic downfall and aided the current rebound. Fiscal stimulus is set to remain supportive into 2021.

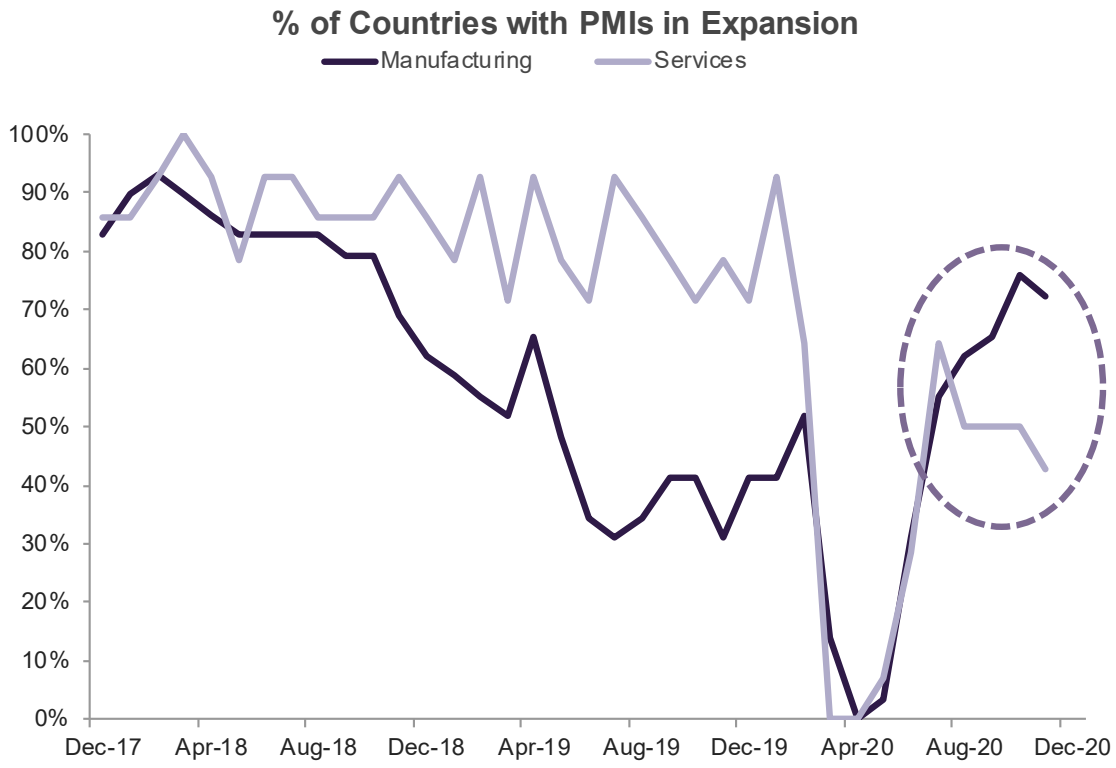


Data Source: Invesco, Truist IAG

Global Services Have Lagged Manufacturing but Should Improve After Vaccine Distribution

Aided by fiscal and monetary support, more than 70% of the world's economies are in a manufacturing recovery.

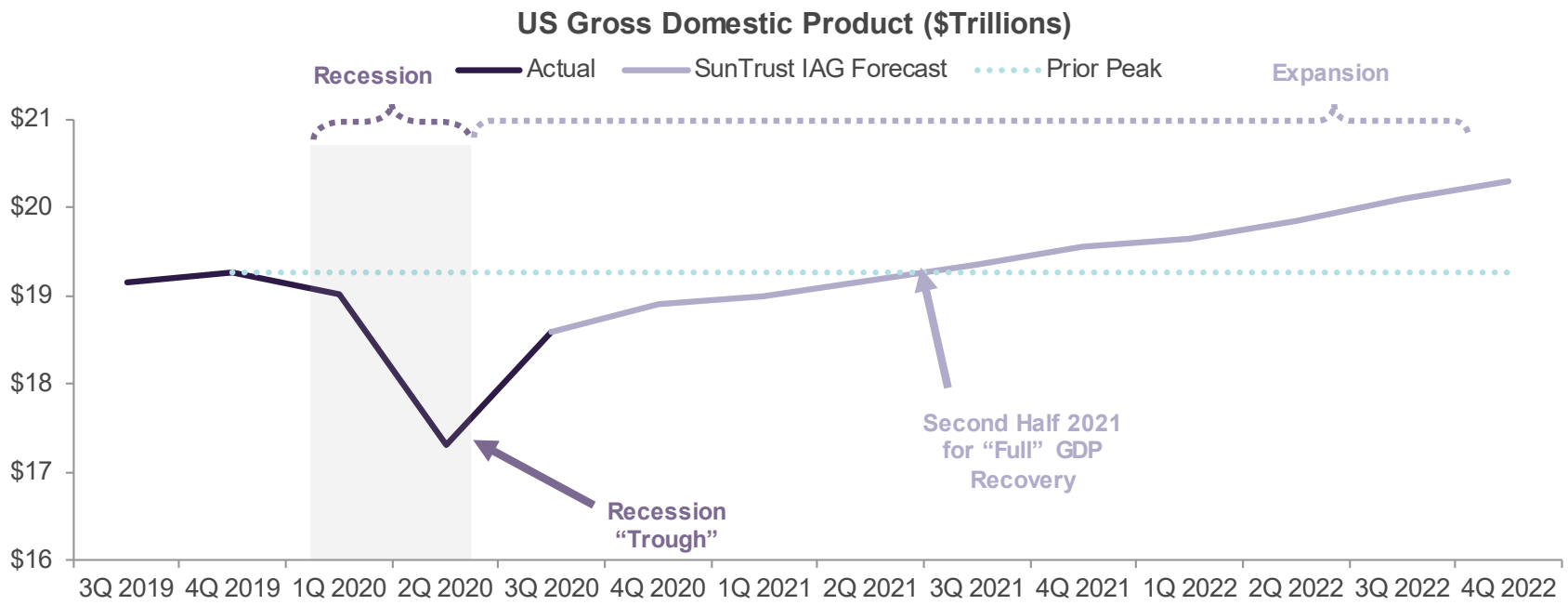
Services, however, are lagging. Unlike goods, which can be purchased and shipped, most services cannot be performed easily under social distancing restrictions.



Data Source: Truist IAG, Bloomberg. Selected Countries: Australia, Austria, Brazil, Canada, China, Colombia, Czech Republic, France, Germany, India, Indonesia, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, Philippines, Poland, Russia, South Africa, South Korea, Spain, Taiwan, Thailand, Turkey, United Kingdom, United States, and Greece.

‘Swoosh’-Shaped Recovery Ahead

The path forward is transitioning from the V-shaped initial phase of the recovery to a much more moderate but still healthy pace. This should resemble Nike’s iconic ‘swoosh’ logo and will likely take until the second half of 2021 to regain the lost ground.

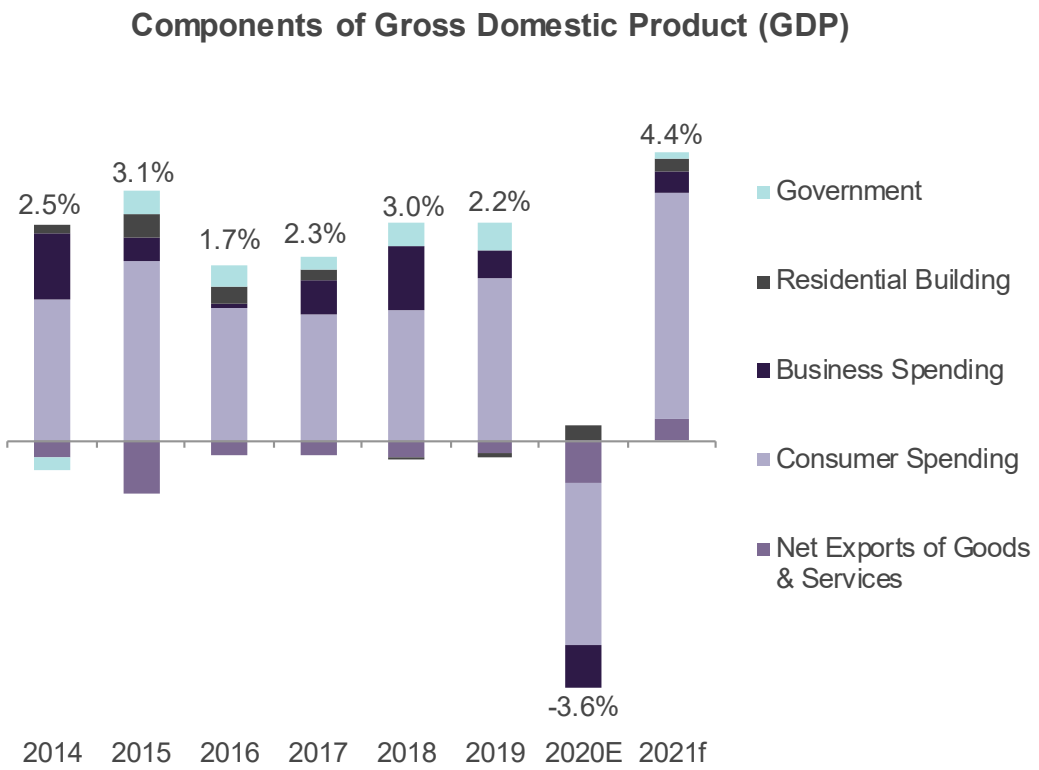


Data Source: Truist IAG, IHS Markit. Real gross domestic product, actual for 3Q 2019 through 3Q 2020, Truist IAG forecast for 4Q 2020 through 4Q 2022.

We Expect the Strongest Annual US Economic Growth Since 1999, Driven by Consumers

We expect US GDP growth of about 4.4% year-over-year for 2021. This would be almost twice as fast as the 10-year average of 2.3% and the fastest annual growth rate in more than 20 years.

Our 2021 US GDP growth outlook is largely driven by a rebound in consumer spending, which represents almost 70% of the economy, along with positive contributions from all the major components.



Data Source: Truist IAG, Bureau of Economic Analysis, Bloomberg, IHS Markit. Figures are year-over-year percent change of real gross domestic product. Contributions to percent change in real gross domestic product, actual for 2014 through 3Q 2020.

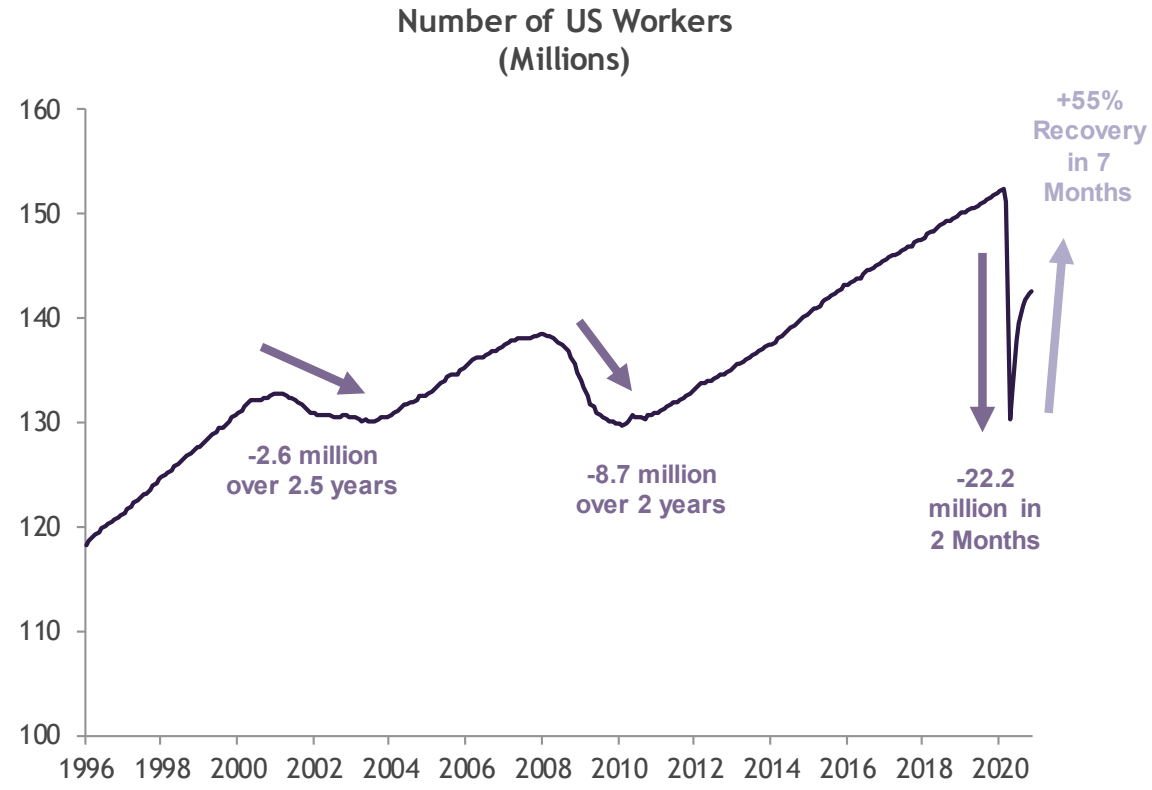
E = Bloomberg consensus blended estimate for 2020

f = Truist IAG forecast for 2021

Much Faster Job Recovery Than Past Two Recessions Should Continue to Support Economic Growth

From an employment perspective, this is not a typical recession and will not be a typical recovery. Following the 2008-2009 recession, it took roughly 4.5 years to recover the jobs lost. In just seven months (through November), the US has already regained more than 55% of the jobs lost.

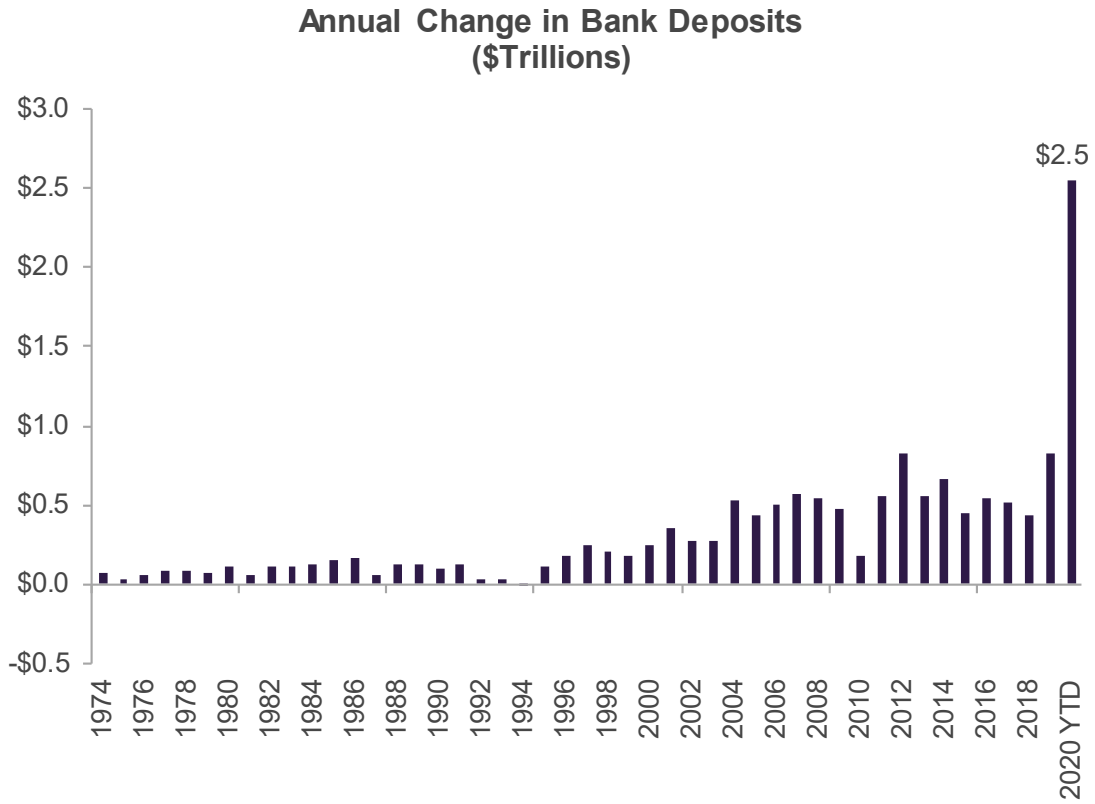
We expect the unemployment rate to drop from 6.7% currently to below 5.5% by the end of 2021.



Data Source: Truist IAG, Bloomberg, Bureau of Labor Statistics

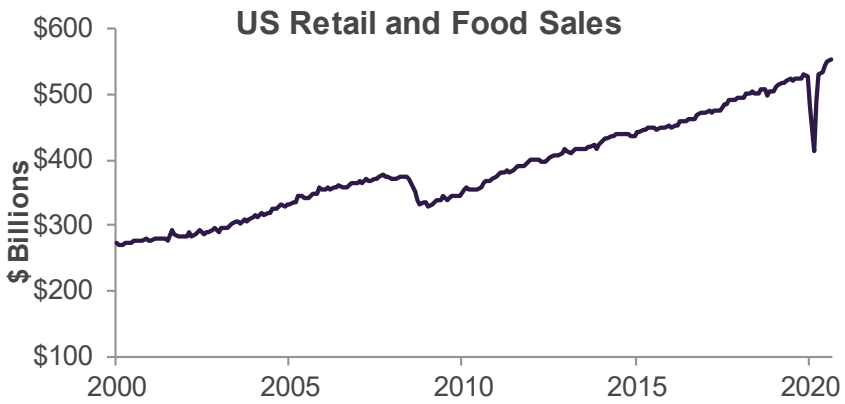
Elevated Household Savings Provide Consumers a Buffer and Suggest Pent Up Demand Remains

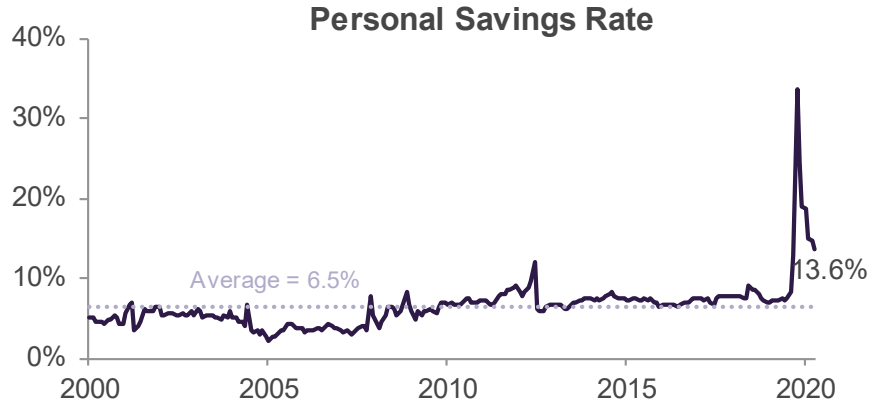
Americans have saved the bulk of the cash received through the CARES Act, including the stimulus checks and tax relief. It has been squirreled away in bank deposits, which have topped $16 trillion. The annual change is roughly $2.5 trillion, or approximately 14% of US gross domestic product.

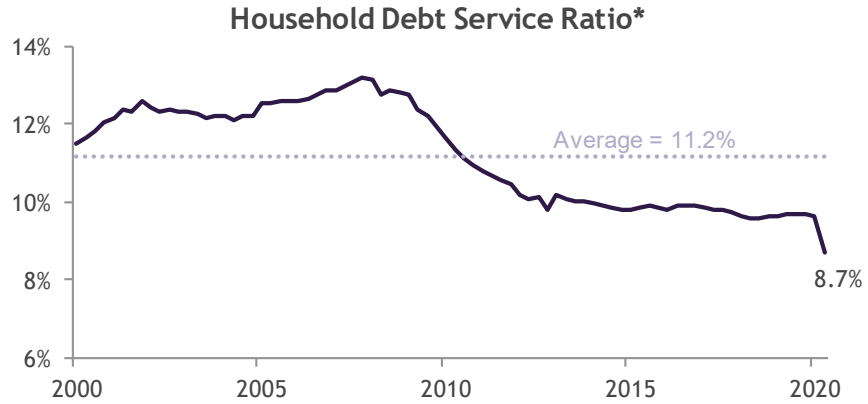


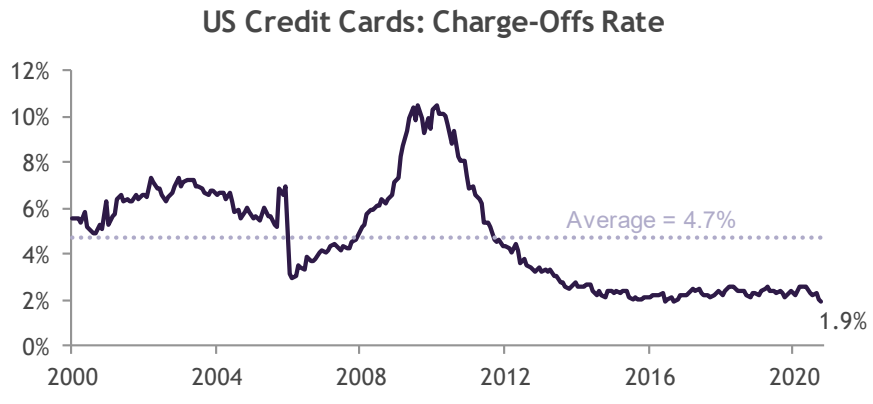
Data Source: Truist IAG, Bloomberg, Federal Reserve Board

Consumer Still Holding Up Well









Data Source: Truist IAG, Bloomberg, Haver

*Household Debt Service Ratio is the ratio of total household debt payments to total disposable income

Equities

Stock Market Outlook: Bear Versus Bull Case

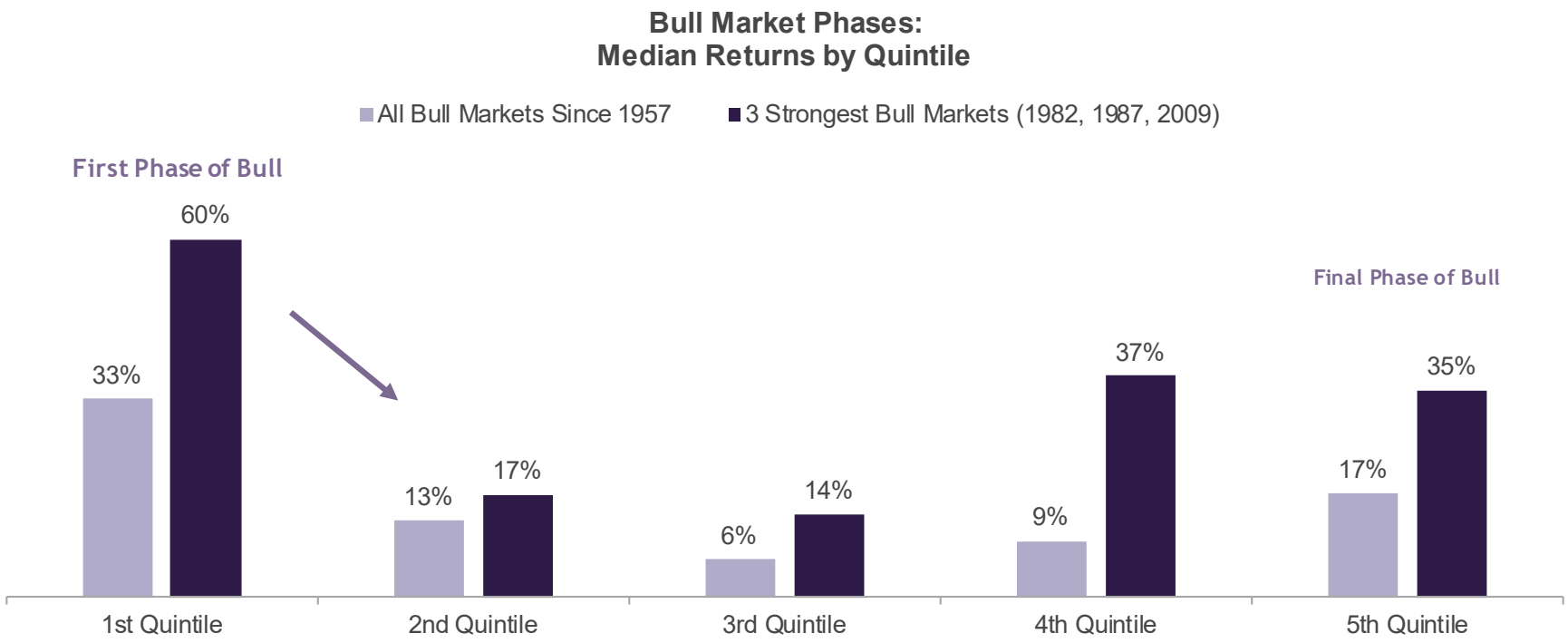
Our work suggests we are in a multi-year bull market, supported by an economy which is in the early stages of expansion. Stocks, though, are transitioning to a more moderate phase of the bull market that is supported by earnings. Elevated investor expectations and vaccine deployment execution are among the primary risks to our outlook, and we expect markets to move in a two steps forward, one step back fashion.

BEAR CASE	vs.	BULL CASE
Economic growth uneven and elevated COVID-19 cases		Economy spring loaded awaiting vaccine
Market valuations are elevated		Relative valuations still favor stocks; earnings strength underappreciated
Market prices and investor expectations are stretched		Strong momentum a positive longer term
Uncertainties remain		Unprecedented stimulus reducing outlier risk

Data Source: Truist IAG

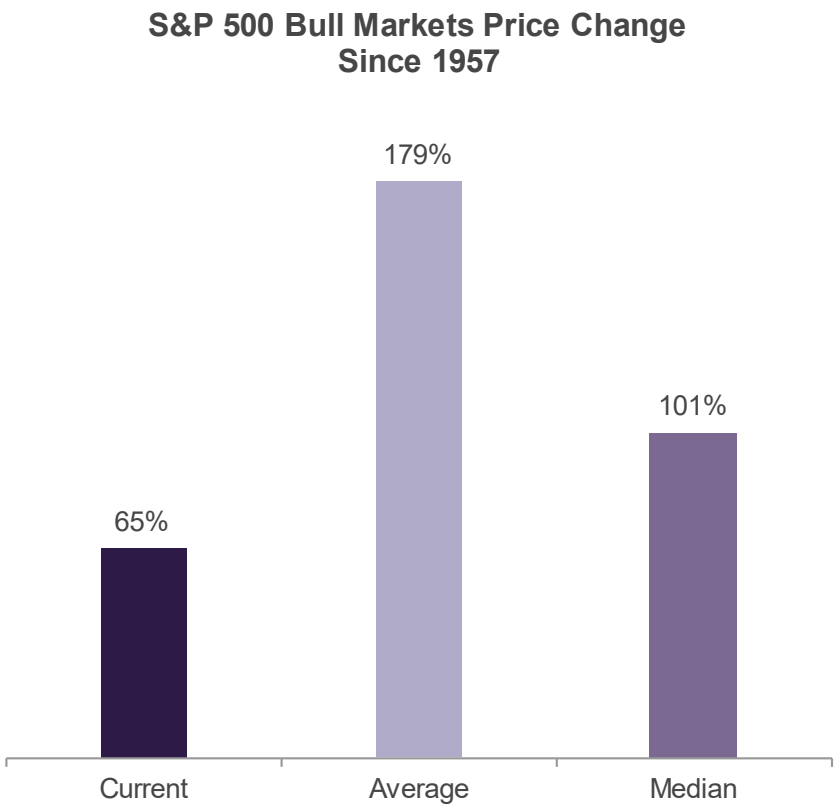
Next Phase of Bull Market Begins

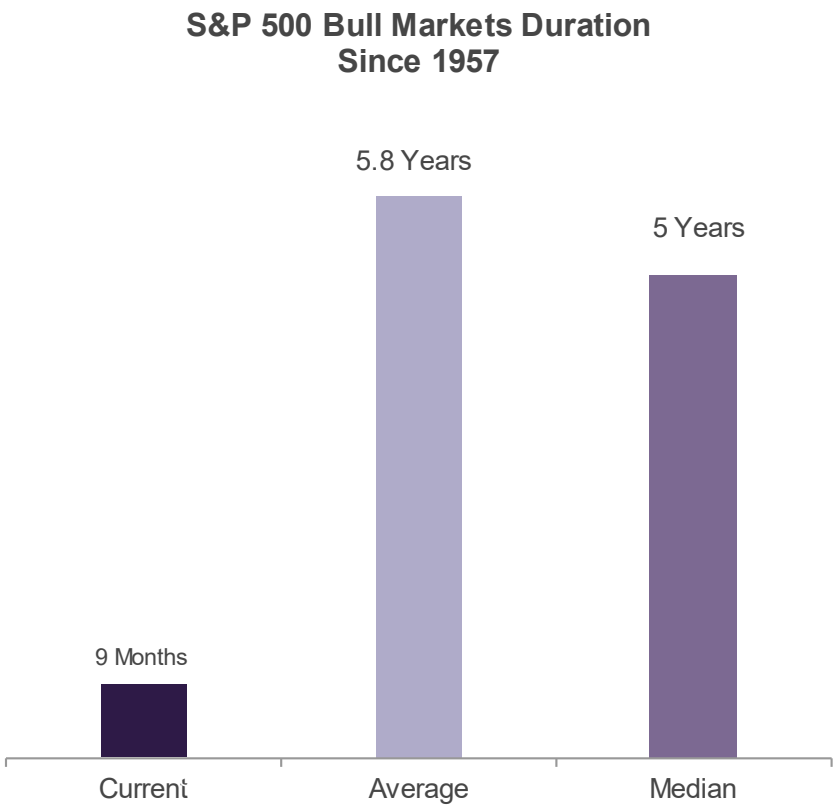
The first phase of this bull market, which should be the strongest from a return standpoint, is likely over. Equities have been supported by massive monetary and fiscal stimulus as well as a reversion from a downside price overshoot. In the next phase, we expect positive but moderating returns, sustained by improved fundamentals and earnings.



Data Source: Truist IAG, Bloomberg; Past performance does not guarantee future results.

Upside Remains Based on Past Bull Markets





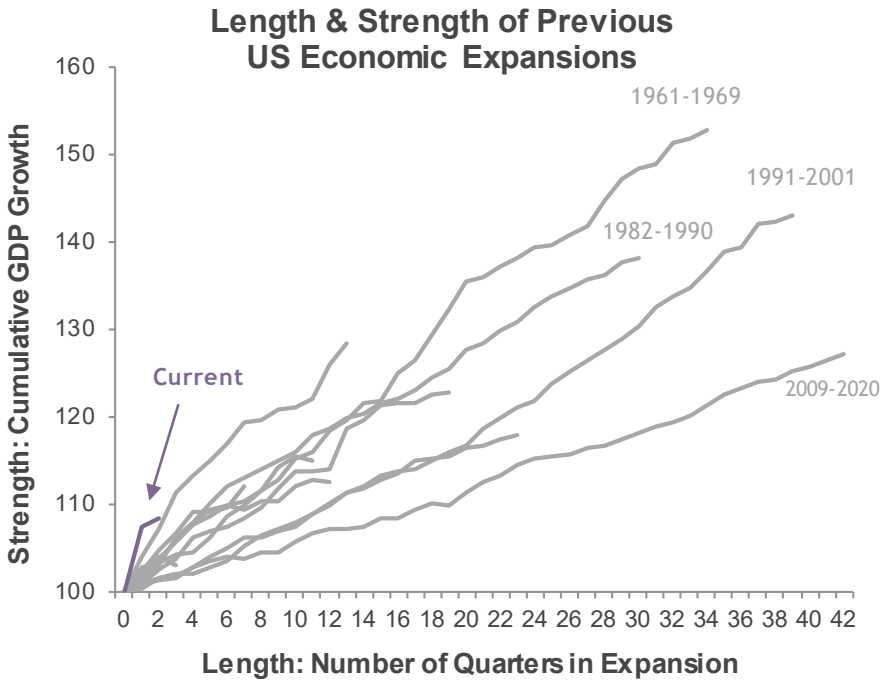
Current based on 12/8/20 peak

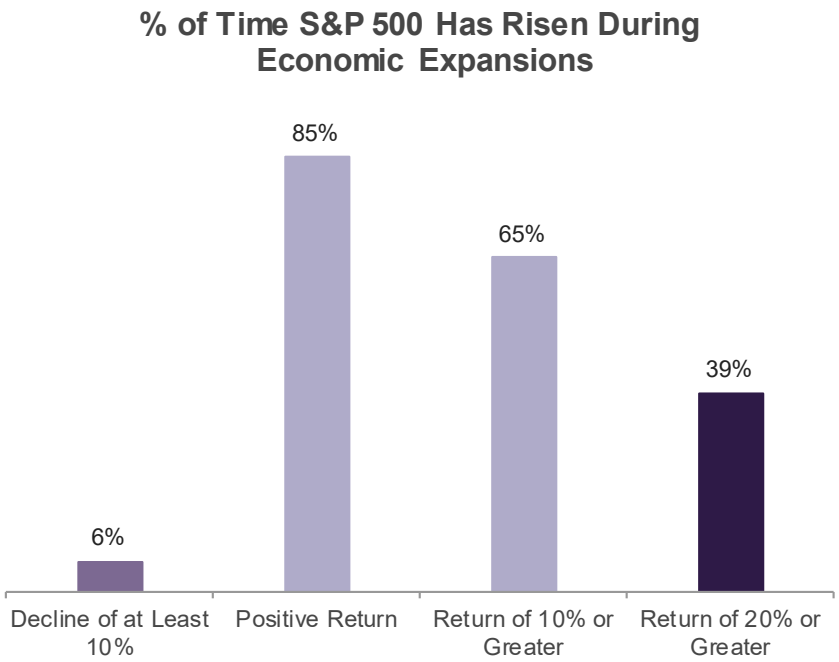
Data Source: Truist IAG, FactSet

Past performance does not guarantee future results.

Our View of a Multi-Year Bull Market Is Consistent with the Early Stages of an Economic Expansion

The average economic expansion since WWII has lasted more than five years, and stocks tend to rise the majority of the time when the economy is growing. Moreover, 65% of the time, stocks have risen 10% or more during expansions.



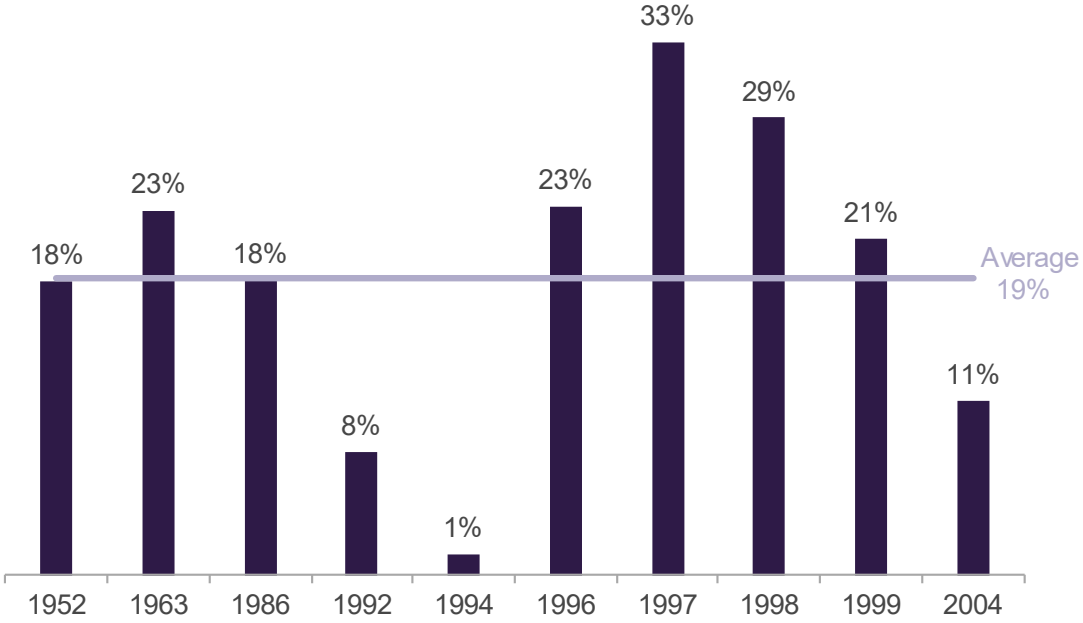


Data Source: Truist IAG, Haver, Morningstar; Left Chart: GDP for current = 3Q 2020 actual GDP plus consensus estimate of 4% annualized for 4Q 2020. Right chart study covers period since 1927 and is based on rolling one-year total returns. Past performance does not guarantee future results.

Our 2021 Economic Outlook of Solid Growth and Modest Inflation Should Be a Good Market Backdrop

Since 1950, there have been 10 years where the US economy grew between 3% and 5% and inflation stayed between 1% and 3%, similar to our expectation for 2021. In all cases, stocks rose for the year, with an average gain of 19%.

S&P 500 Total Return During Years of Solid Economic Growth & Modest Inflation (US GDP 3% to 5% and Inflation 1% to 3%)



Data Source: Truist IAG, Minneapolis Fed, St. Louis Fed

Past performance does not guarantee future results.

Strong Market Momentum Is a Good Sign Looking Out 12 Months

In November, the S&P 500 posted a monthly return in excess of 10% for the second time in 2020 and only the 13th time since 1950. Historically, this has been a good sign, with stocks averaging 13% gains over the next year.

Notably, similar big months were seen early in the bull markets that started in 1962, 1974, and 1982 as well as coming out of 2011's US debt downgrade-related market correction.

S&P 500 Price Returns Following >10% Months

Date	3 Months Later	6 Months Later	12 Months Later
11/30/1962	3%	14%	18%
10/31/1974	4%	18%	20%
1/31/1975	13%	15%	31%
1/31/1976	1%	3%	1%
11/30/1980	-7%	-5%	-10%
8/31/1982	16%	24%	38%
10/31/1982	9%	23%	22%
8/31/1984	-2%	9%	13%
1/31/1987	5%	16%	-6%
12/31/1991	-3%	-2%	4%
10/31/2011	5%	12%	13%
4/30/2020	12%	12%	
11/30/2020			
Average	**5%**	**12%**	**13%**
% Positive	**75%**	**83%**	**82%**

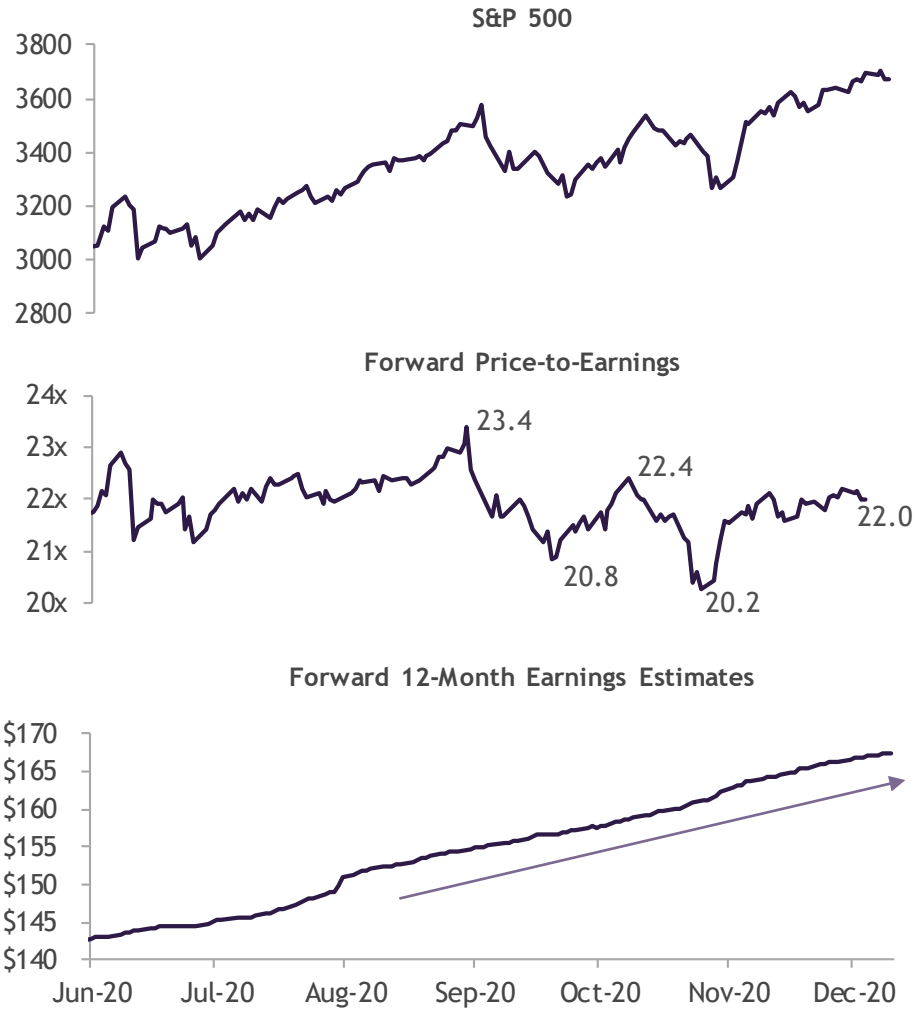
Data Source: Truist IAG, FactSet

Past performance does not guarantee future results.

US Valuations Range Bound Since June, While Earnings Strength Underappreciated

Valuations remain elevated for markets and are likely to stay that way given the low rate environment, lack of attractive investment alternatives and monetary stimulus.

What appears to be underappreciated is that market valuations have been range bound since June. The driver of market returns since then has been the sharp rise in earnings.



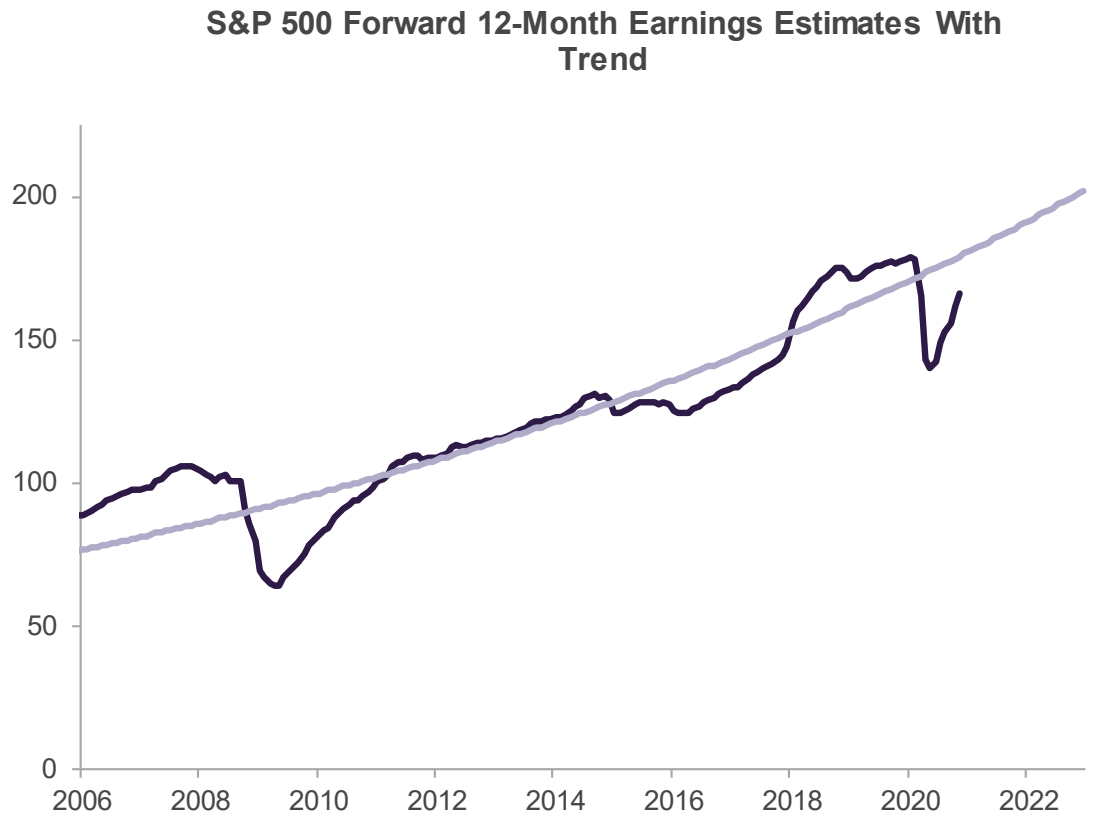
Data Source: Truist IAG, FactSet

Past performance does not guarantee future results.

We Expect a Strong Earnings Snapback

While the timing will partially be dependent on the vaccine rollout, our view is that earnings should quickly revert to pre-pandemic levels. Surviving companies are set to emerge from this crisis as more efficient and more profitable than ever, aided by the acceleration of technology and productivity trends and declining interest expense.

Accordingly, we view it as very likely that earnings will quickly rebound closer to the longer-term trend—$190 to $200 by 2022—up from the 2021 earnings estimate of $169 (which also has upside potential).

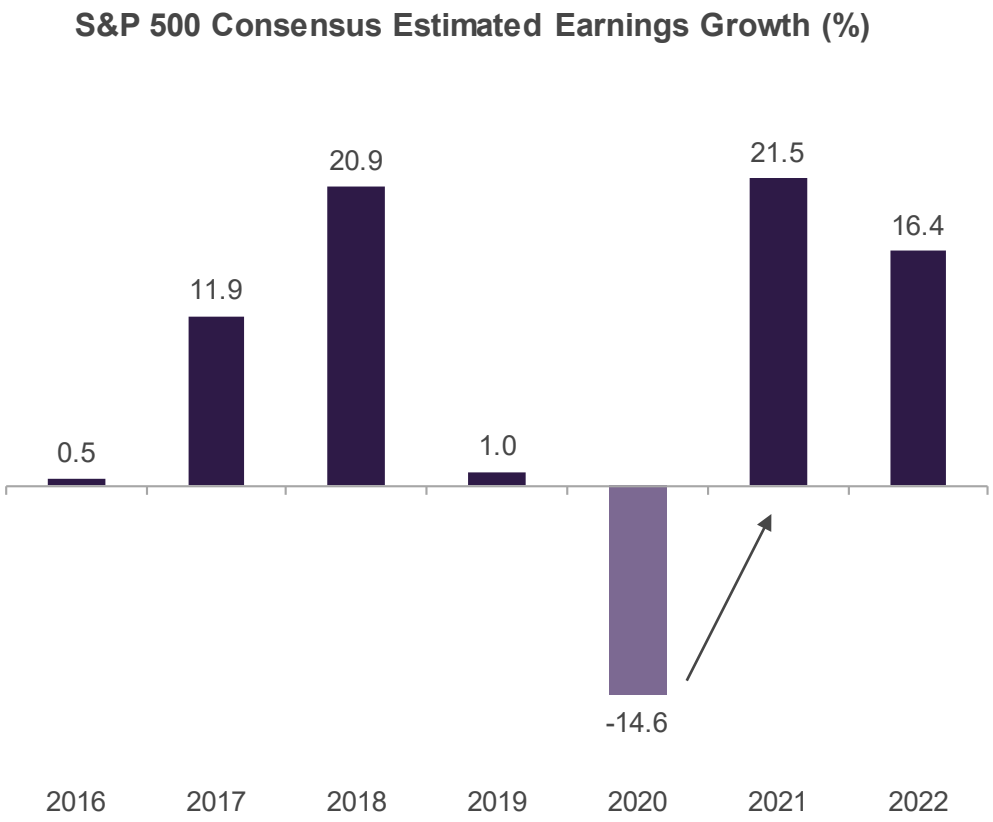


Data Source: Truist IAG, FactSet

Past performance does not guarantee future results.

Market Transitioning to Earnings-Led Recovery

In 2021, the market is set to transition to an earnings-led recovery. While consensus earnings estimates have tended to be overly optimistic, we view current projections as realistic, if not low.



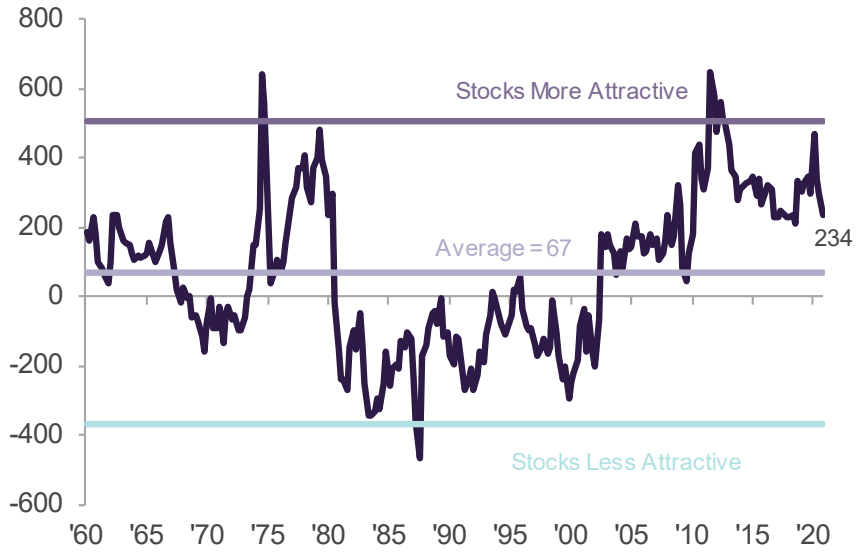
Data Source: Truist IAG, FactSet

Past performance does not guarantee future results.

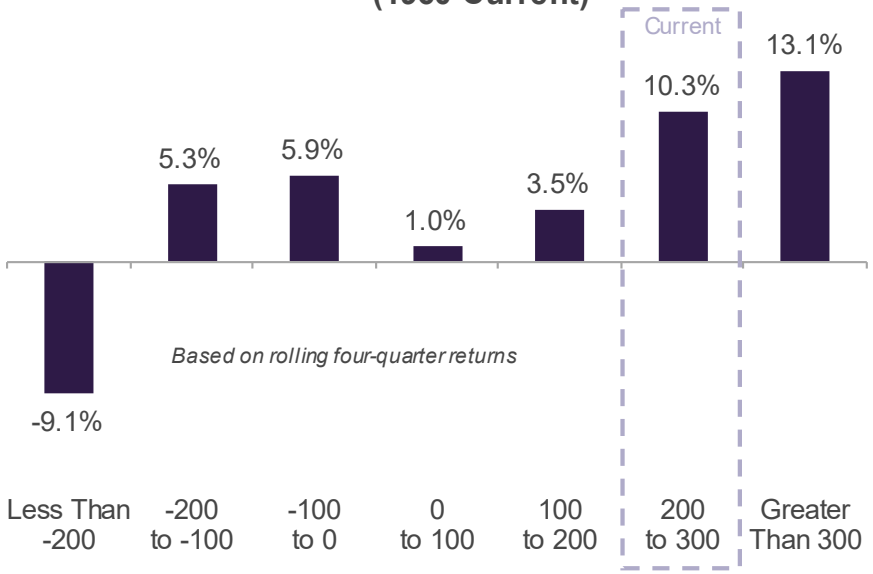
Stocks Still Appear Attractive on a Relative Basis

The equity risk premium (ERP)* suggests stocks remain attractive on a relative basis and is in a zone that has seen stocks outperform bonds by double digits, on average, on a 12-month basis. Furthermore, the trailing earnings yield is currently artificially low given the pandemic-related collapse in profits which should improve sharply in 2021.

S&P 500: Equity Risk Premium: Earnings Yield Minus 10-Year Treasury Yield



Average 12-Month Forward S&P 500 Excess Return Over the 10-Year Treasury Return by ERP Tranche (1960-Current)

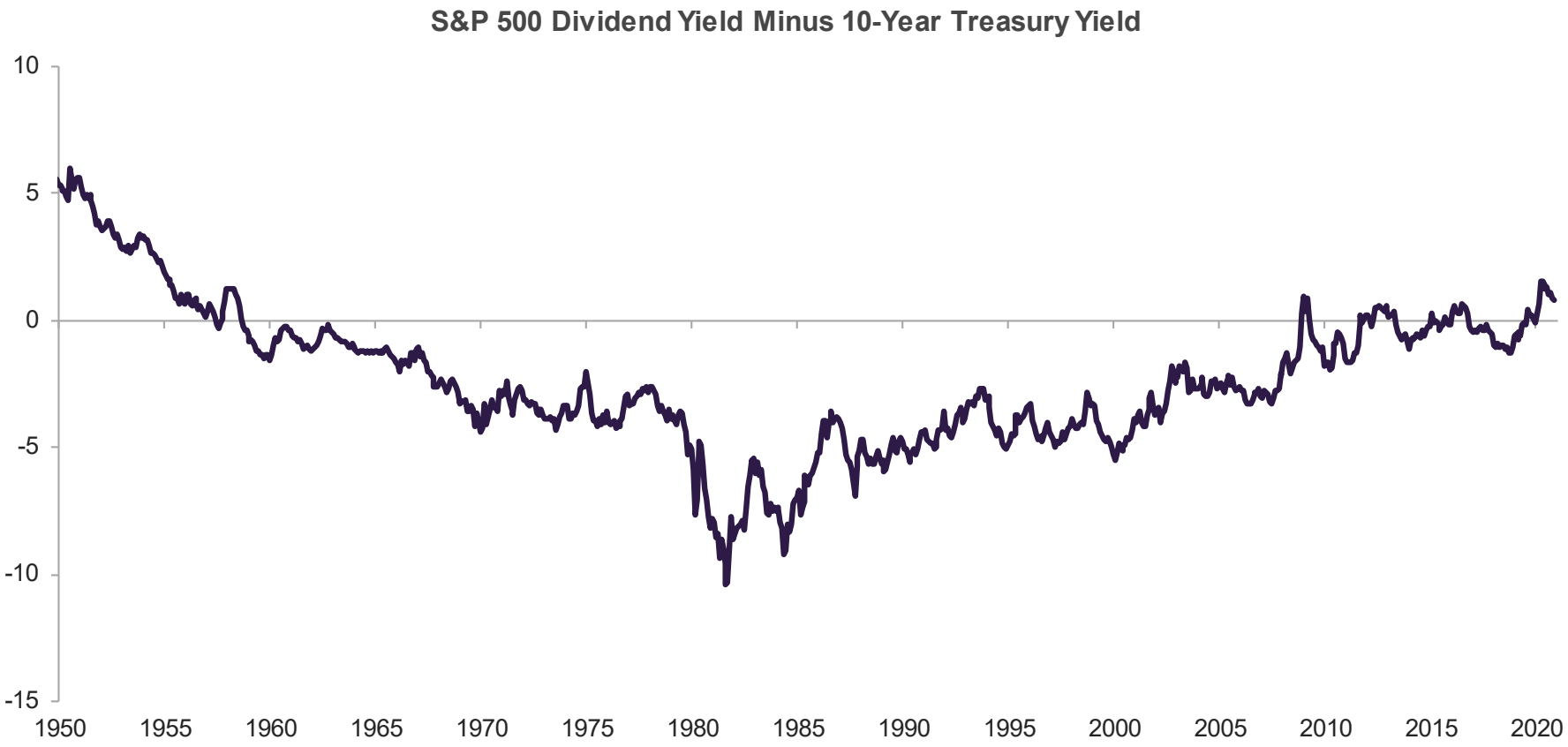


*The equity risk premium (ERP) compares the earnings yield of stocks (inverse of the P/E ratio) to the 10-year US Treasury yield. ERP is quantified in basis points (bps). One basis point = 0.01%

Data Source: Truist IAG, Haver, Morningstar

Past performance does not guarantee future results.

Stock Market Dividend Yield Advantage Relative to 10-Year US Treasury Remains Elevated



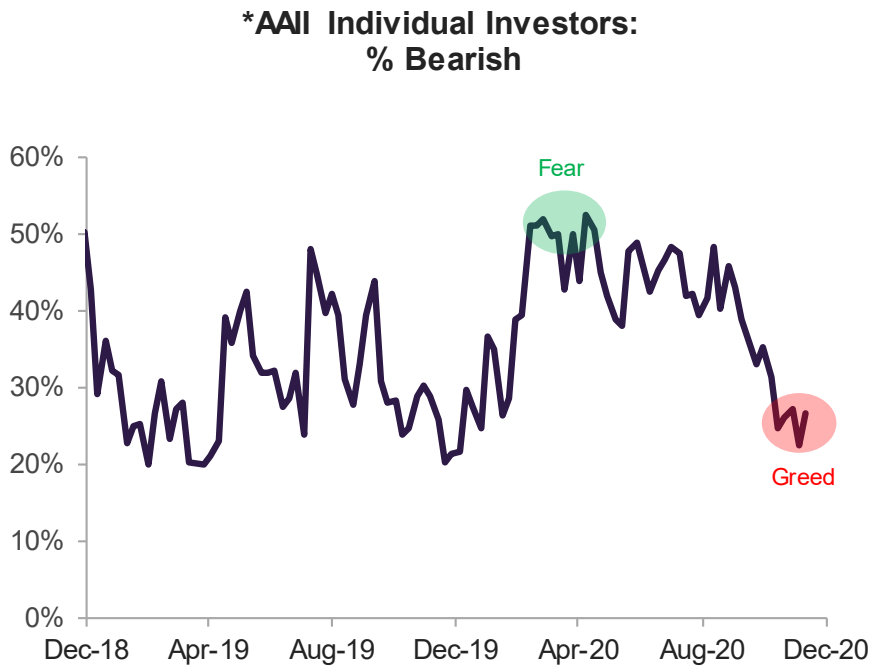
Data Source: Truist IAG, Morningstar, Haver

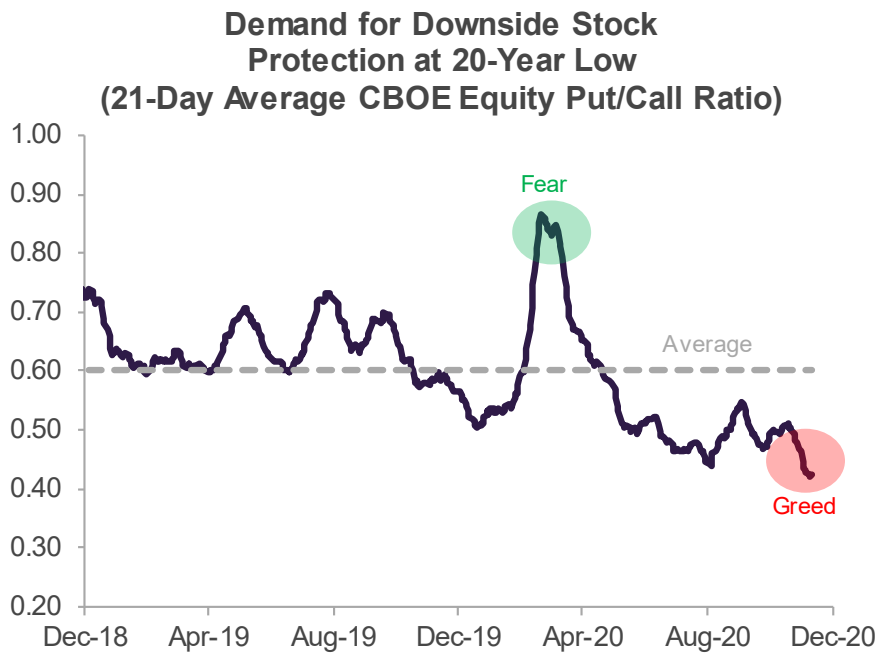
Long-term yield history uses a 65%/35% blend of the IA SBBI Intermediate-Term Govt and IA SBBI Long-Term Govt yields from 1/1950-3/1953 to replicate the 10-year Treasury yield, the monthly average 10-year Treasury yield from 4/1953-12/1961 and, thereafter, the US 10-year Treasury month-end yield.

Past performance does not guarantee future results.

Investor Complacency a Market Risk in the First Quarter of 2021

Markets bottomed in March 2020 when fear was high and the hurdle rate for positive surprises was low. Following the sharp market rebound, investor expectations have risen, and stocks are more vulnerable to bad news.





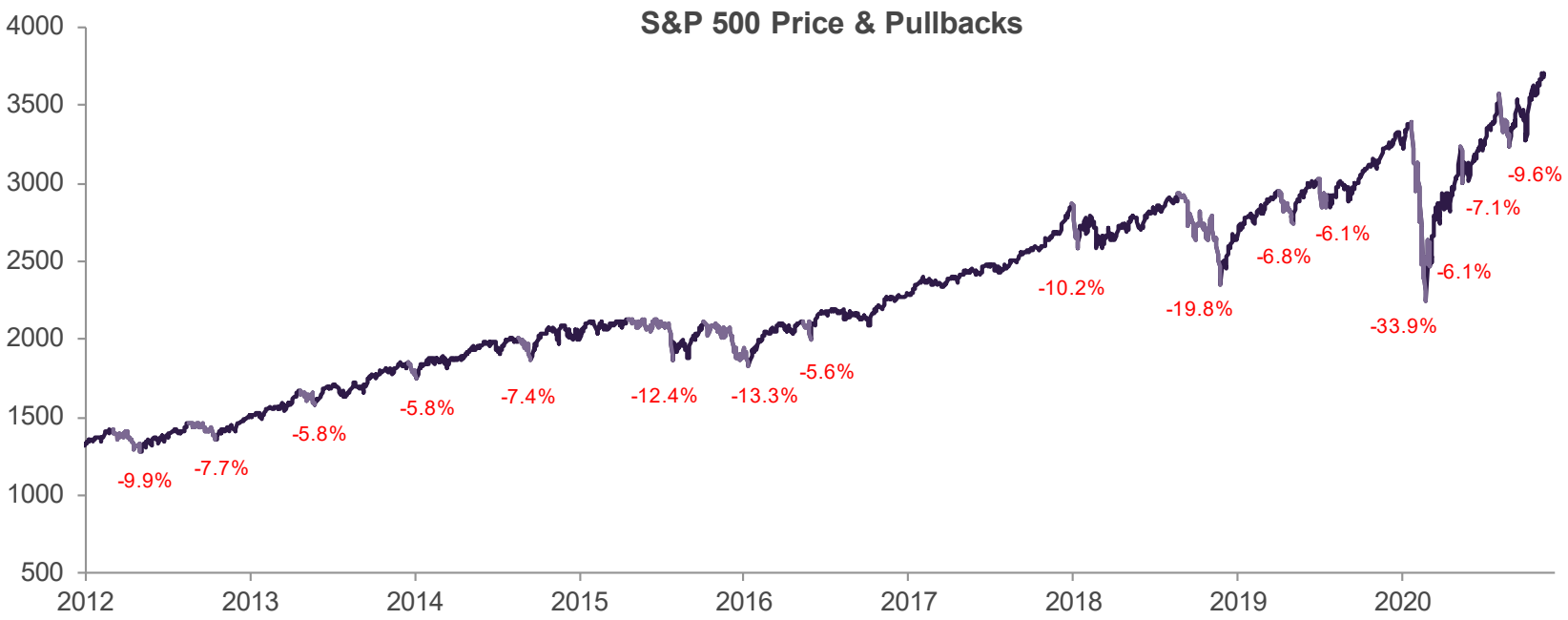
Data Source: Truist IAG, FactSet, American Association of Individual Investors, CBOE

*The AAII Sentiment Survey measures the percentage of individual investors who are bullish, bearish, and neutral on the stock market short term. The Put/Call Ratio is a widely used indicator of bullish or bearish market sentiment. When the ratio of puts, which are the right to sell an asset, to calls, which are a right to buy, is low this suggests a degree of investor complacency and overconfidence.

Past performance does not guarantee future results.

Markets Should Continue to Move Two Steps Forward, One Step Back

Although our view is that the path of least resistance for the market over the next 12 months remains higher, we expect bouts of volatility as the carousel of concerns continues to turn, including the potential for hiccups with vaccine logistics and distribution.



Data Source: Truist IAG, FactSet

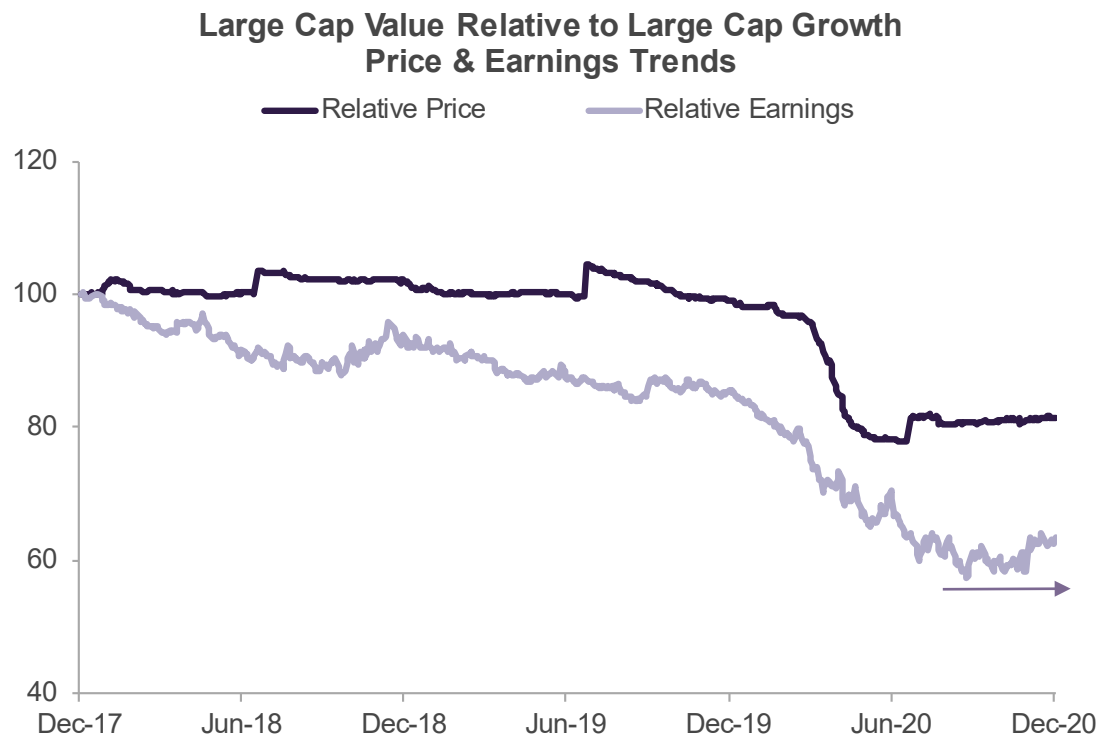
Past performance does not guarantee future results.

Large Cap Value Trends Stabilizing

After significant underperformance, large cap value's price and earnings trends relative to large cap growth are stabilizing.

Our first step in the fall was to neutralize our portfolios' tactical growth tilt by creating a barbell between small caps and large cap growth; our work suggests small caps are a better hedge for the reflation trade relative to large cap value. If there are some hiccups with the vaccine distribution, growth stocks should benefit.

That said, further improvement in relative earnings and price trends are among factors we are monitoring to upgrade our large cap value position.



Data Source: Truist IAG, FactSet

Growth = Russell 1000 Growth; Value = Russell 1000 Value

Investments in small-sized companies may involve greater risks than in those of larger, better known companies. Returns on investments in stocks of small companies could trail the returns on investments in stocks of larger companies.

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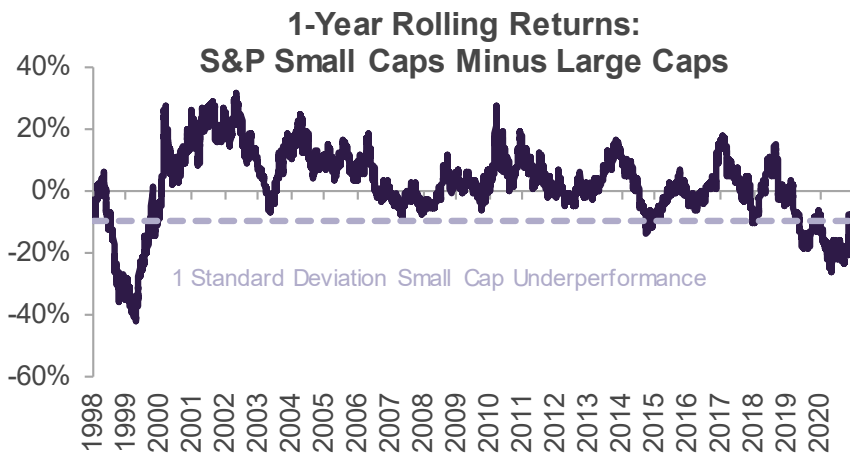
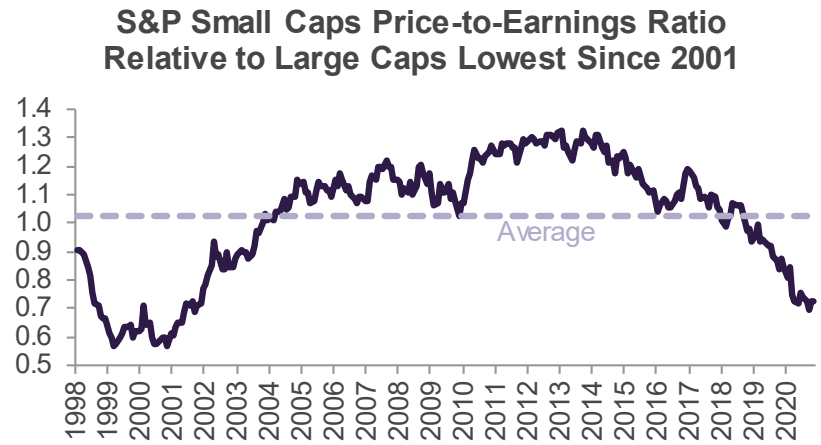
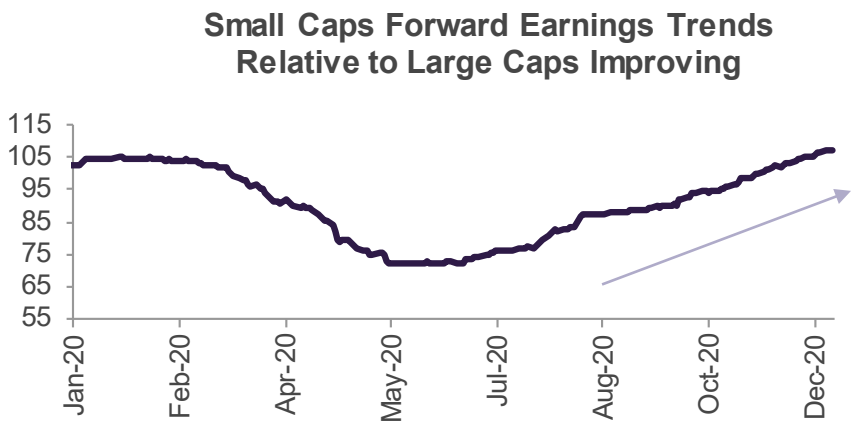
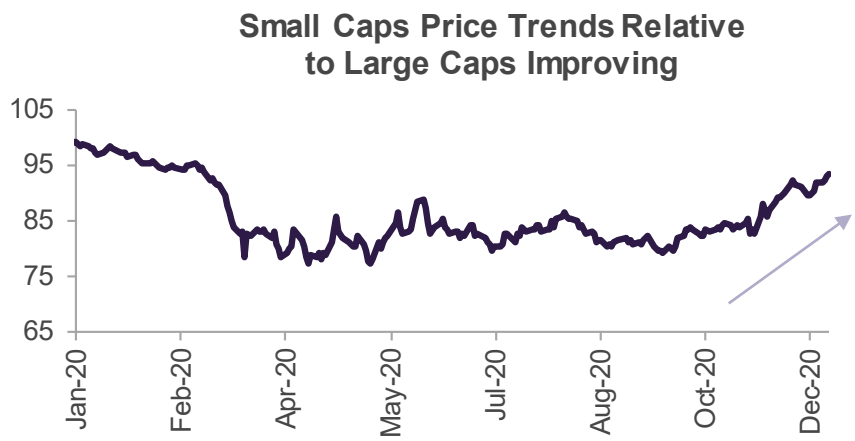
Overweight Small Caps: Catch-Up Potential Remains Given Valuation Extreme & Rising Earnings









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Data Source: Truist IAG, FactSet

Small Caps = S&P 600; Large Caps = S&P 500

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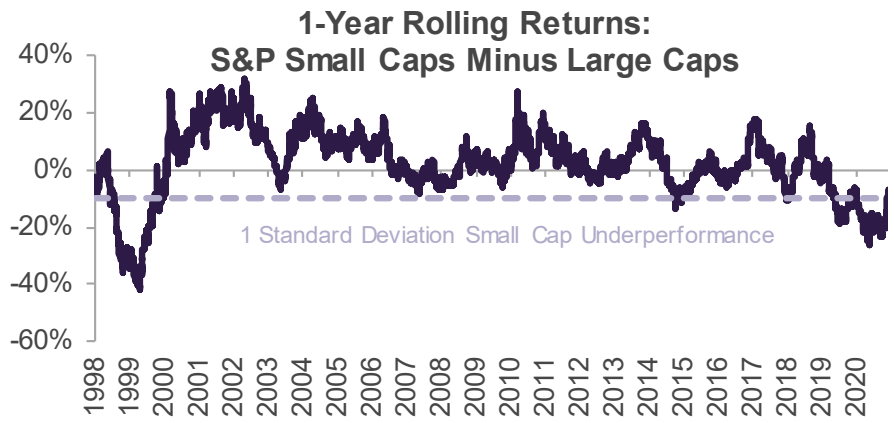
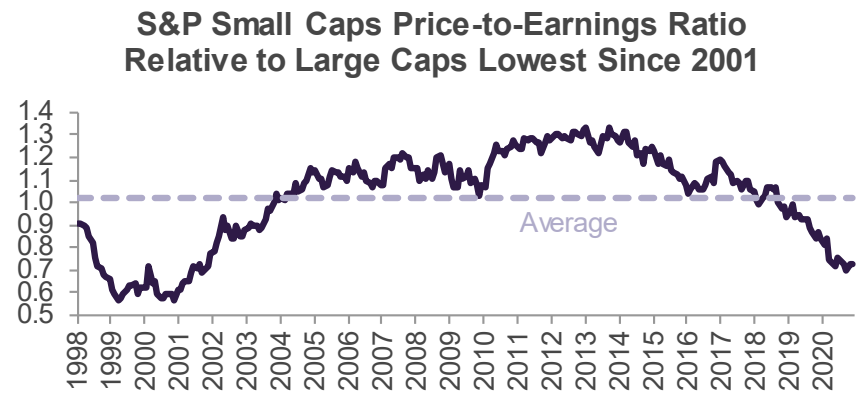
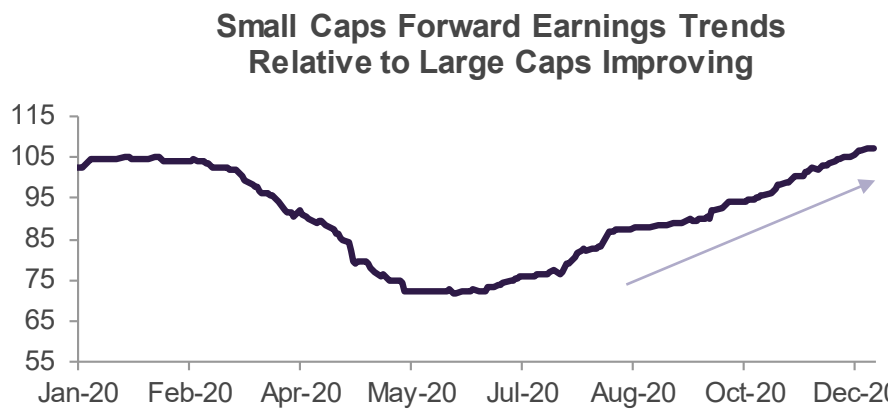
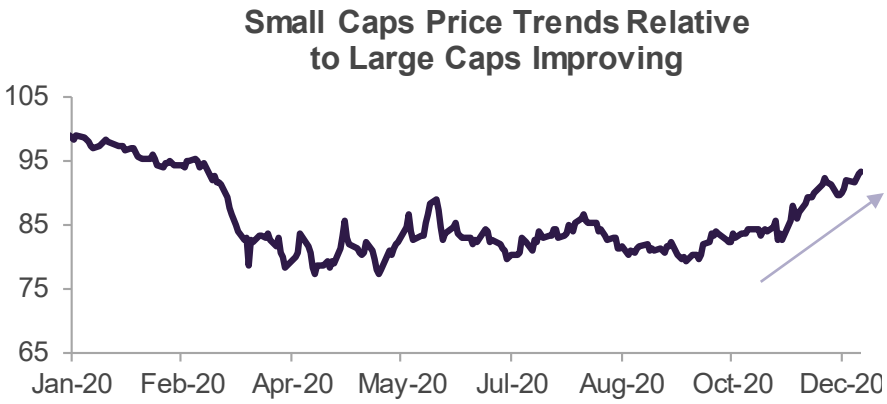
Wealth

Overweight Small Caps: Catch-Up Potential Remains Given Valuation Extreme & Rising Earnings









Data Source: Truist IAG, FactSet

Small Caps = S&P 600; Large Caps = S&P 500

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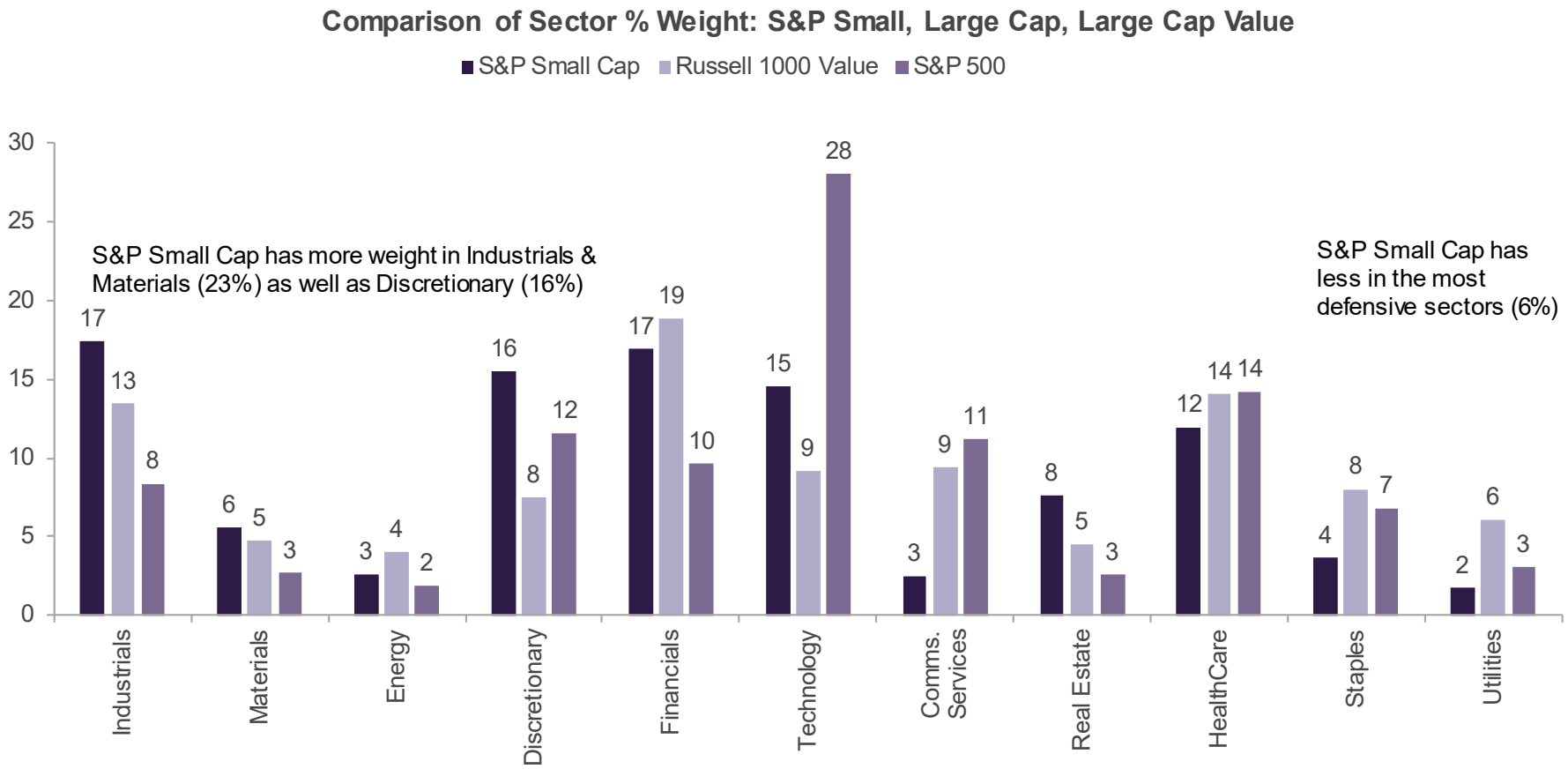
Small Caps Have More Cyclical Exposure Relative to Large Caps and Large Cap Value



Data Source: Truist IAG, FactSet

Small Caps = S&P 600; Large Caps = S&P 500; Large Value = Russell 1000 Value ETF

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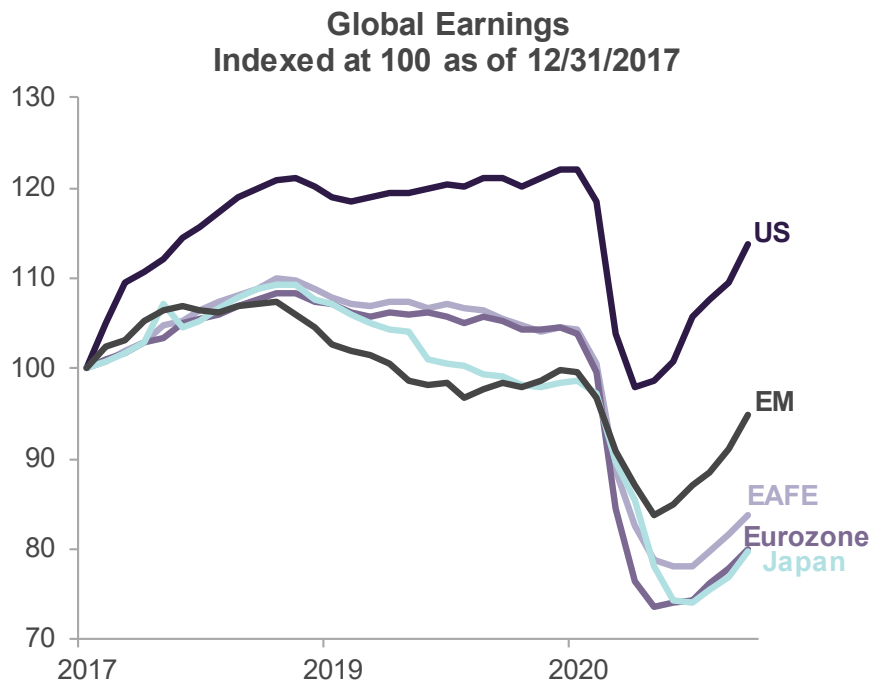
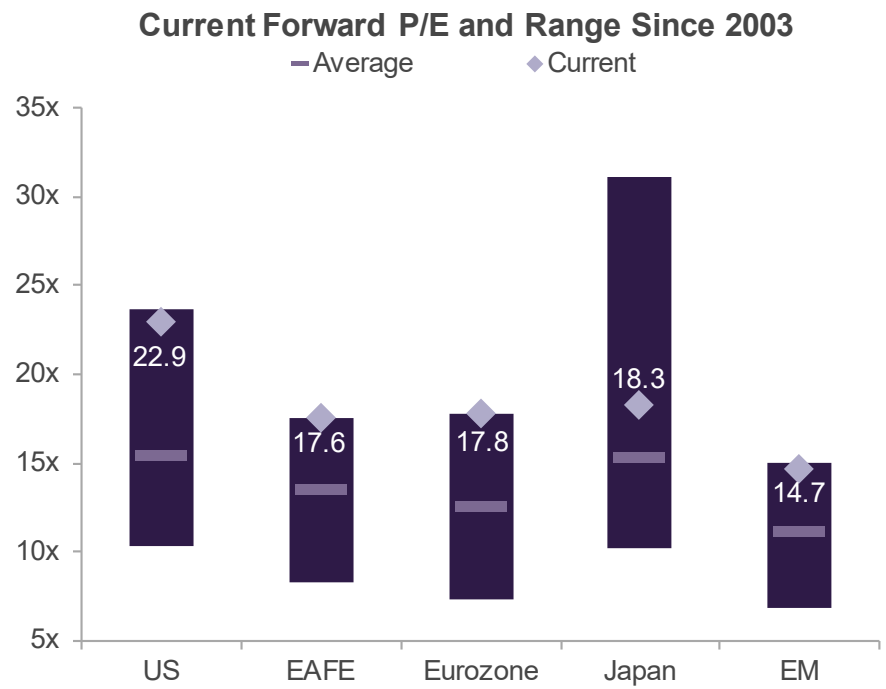
Regional: Valuations & Earnings

We hold a US equity bias and expect the US to maintain a premium valuation relative to the globe. US profits were stronger relative to those of other regions prior to the decline and are rebounding more quickly. This is because US stocks' blue chip bias and sector composition are geared more toward defensive and growth-oriented areas.





Data Source: Truist IAG, FactSet, MSCI
Past performance does not guarantee future results.
Earnings are next twelve months' earnings in local currency.
US = MSCI USA; Japan = MSCI Japan; EAFE = MSCI EAFE; EM = MSCI EM; Eurozone = MSCI EMU

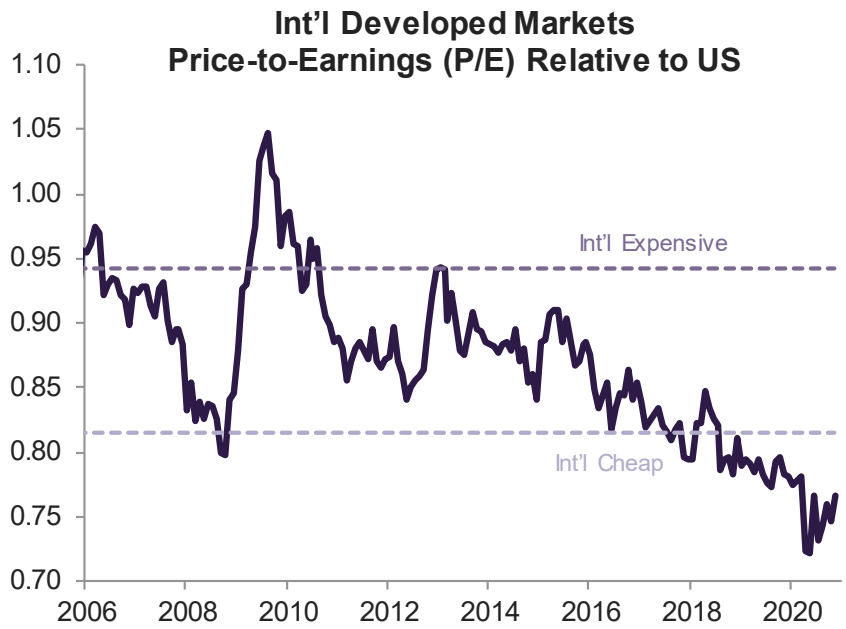
Global Earnings Momentum Is Broad Based and Similar to the Exit from the Financial Crisis

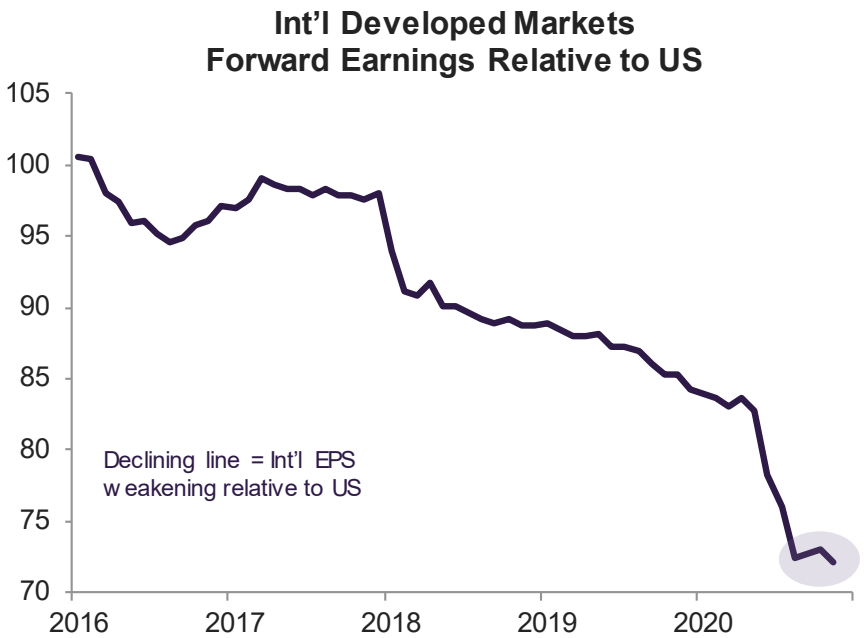
Data Source: Truist IAG, FactSet, MSCI

Past performance does not guarantee future results.

Int'l Developed Markets: Still Underweight but Slightly Better Outlook

The relative valuations for international developed markets are at the low end of their historical range, and the hurdle rate for positive surprises is low. However, we are not as bearish on the US dollar relative to the consensus (a weaker dollar tends to coincide with US underperformance), and we await an improvement in earnings and price trends before shifting our view.





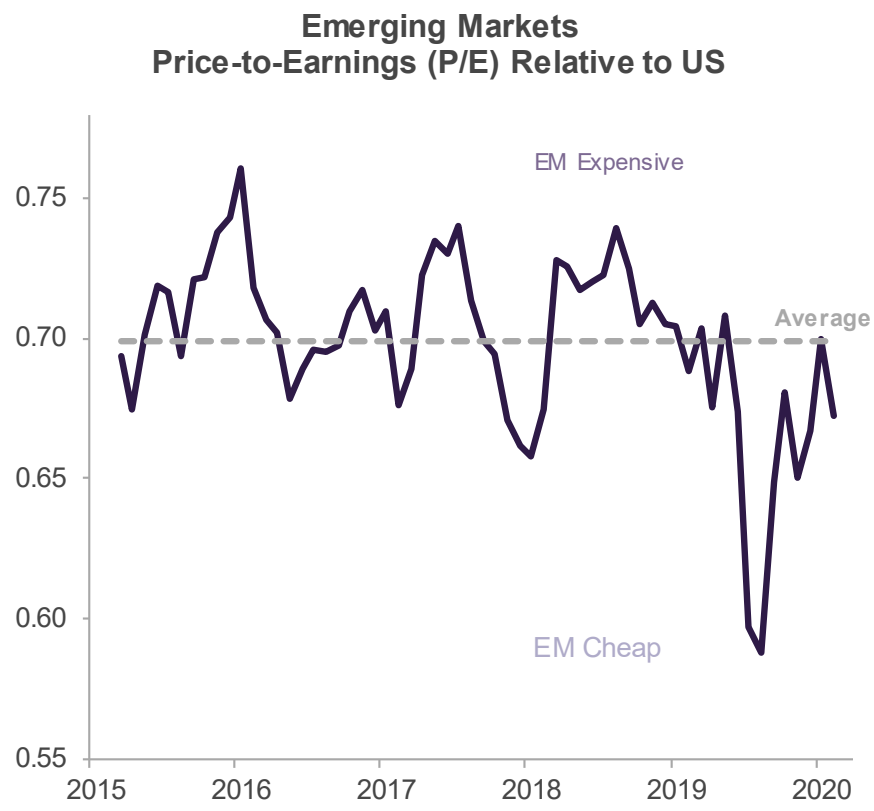
Data Source: Truist IAG, FactSet

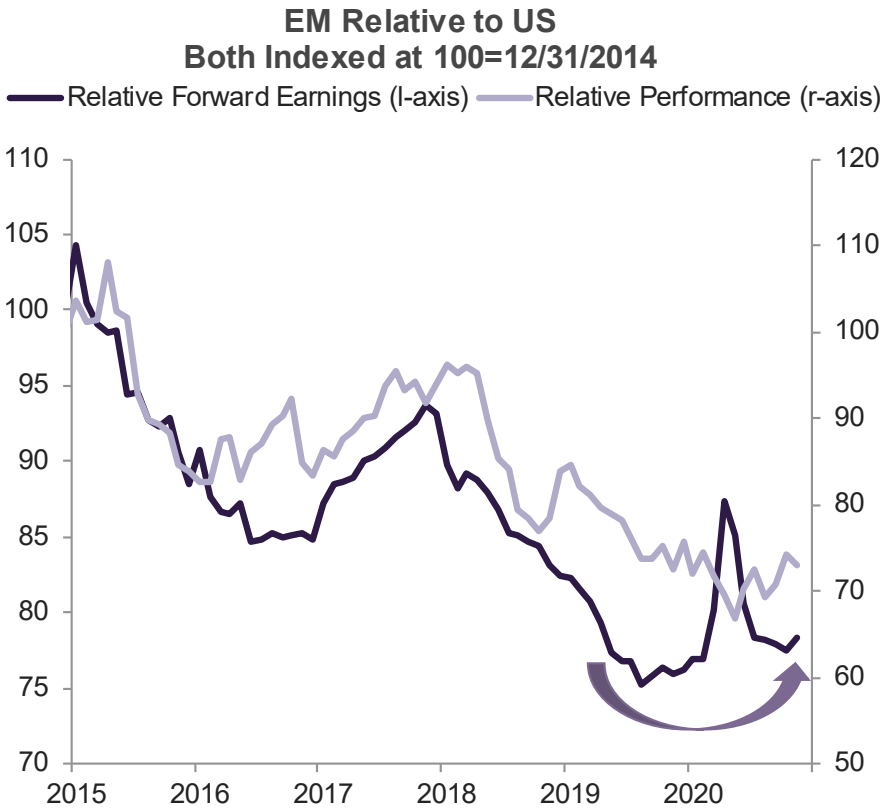
US Equities = MSCI USA; Int'l Developed Markets Equities = MSCI EAFE

International investments are subject to special risks, such as political unrest, economic instability, and currency fluctuations.

Past performance does not guarantee future results.

Emerging Markets' Valuations Neutral but Earnings and Price Trends Stabilizing





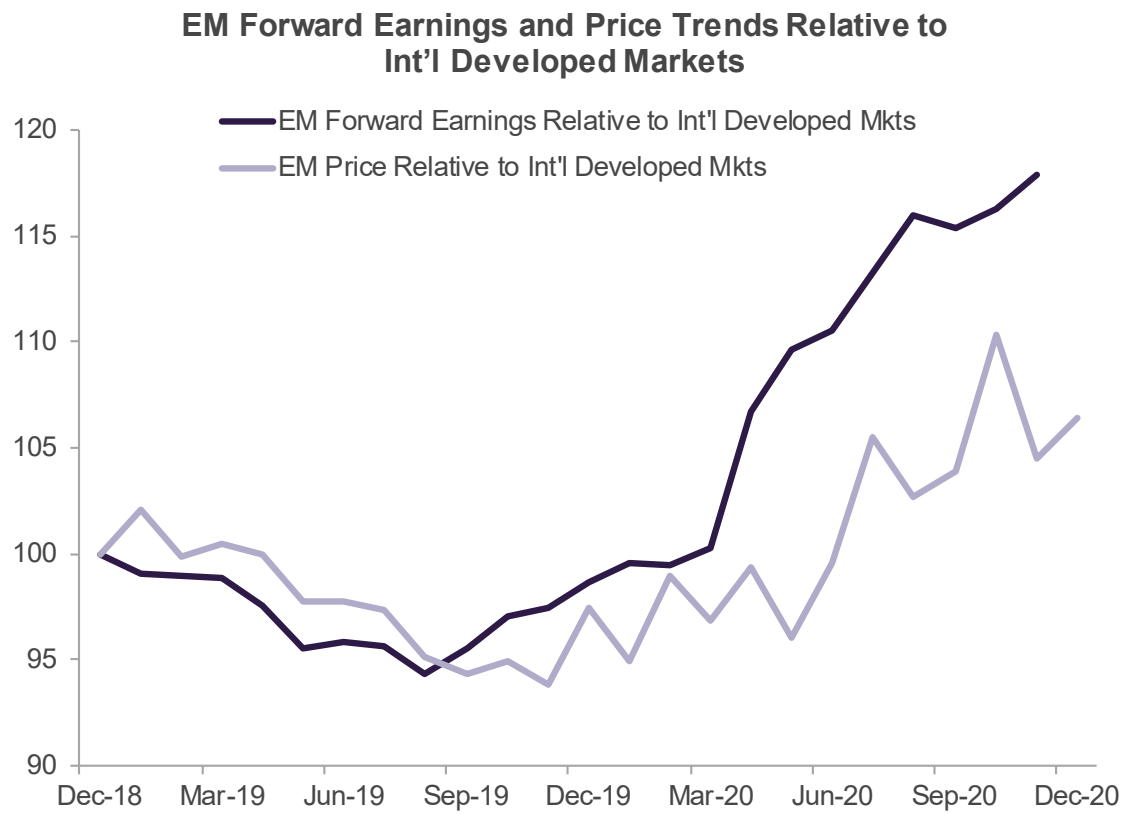
Data Source: Truist IAG, MSCI, FactSet. US = S&P 500; EM = MSCI EM

Emerging Markets: Investing in the securities of such companies and countries involves certain considerations not usually associated with investing in developed countries, including unstable political and economic conditions, adverse geopolitical developments, price volatility, lack of liquidity, and fluctuations in currency exchange rate

Past performance does not guarantee future results.

Emerging Markets' Trends Improving Relative to Int'l Developed Markets

Emerging markets' (EM) forward earnings and price trends are moving higher relative to the international developed markets. This has been driven by better earnings in Asia, such as in China, Taiwan and South Korea, relative to Europe.



Data Source: Truist IAG; FactSet, MSCI; relative series indexed at 100 as of 12/31/2018

Forward earnings are in local currency while price trends are in US dollars.

International investments are subject to special risks, such as political unrest, economic instability, and currency fluctuations.

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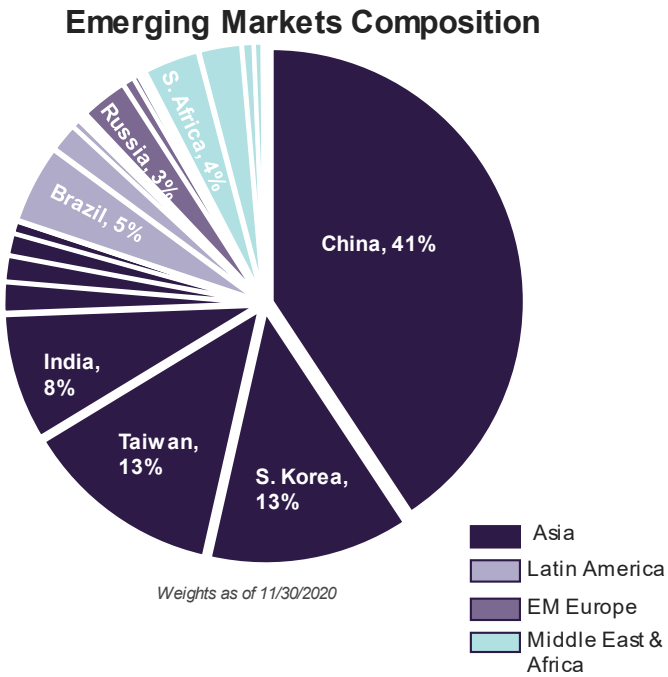
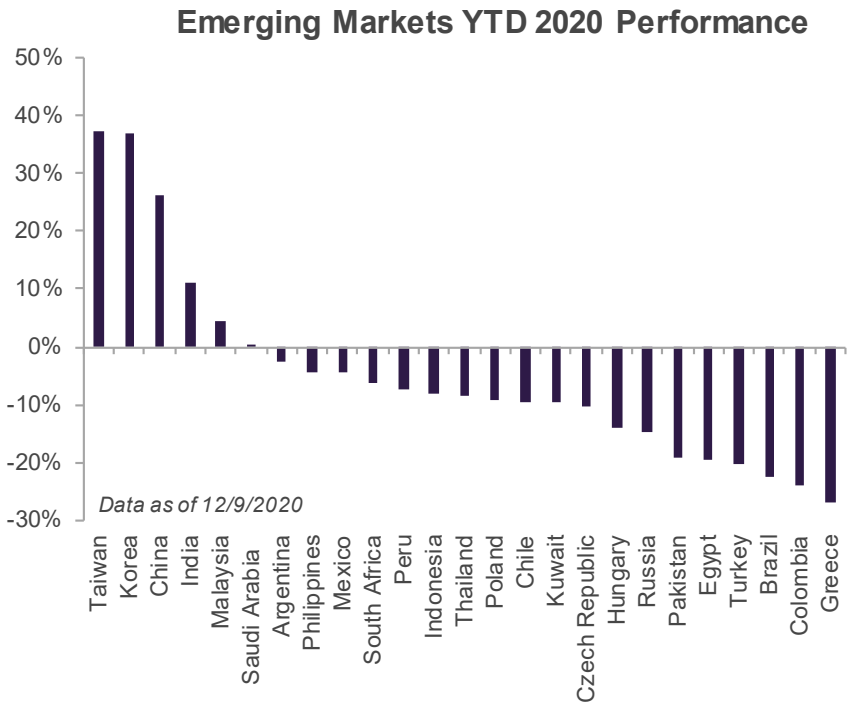
Active Management Increasingly Important in Emerging Markets

With China accounting for over 40% of the emerging markets index and a notable variation in country performance, we see greater value in active management in this asset class.





Data Source: Truist IAG, FactSet, MSCI

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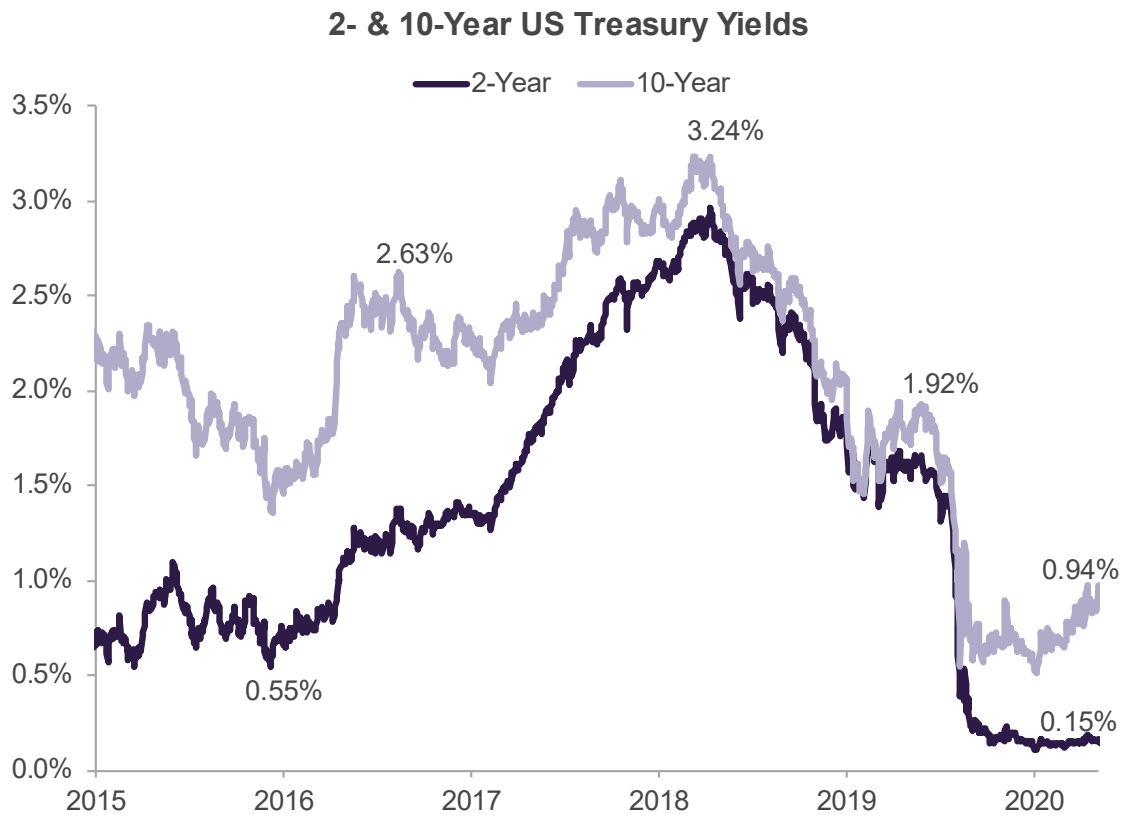
Fixed Income

Recovery to Lift US Yields Later in 2021, Though Tug of War to Continue

To start 2021, we expect the upside in yields to be limited by the Federal Reserve's (Fed) quantitative easing and investor demand for US yields. However, the expected delivery of a vaccine and heavy US Treasury issuance will likely support somewhat higher yields as we move through next year. Fed policy rates will keep short-term yields anchored near historic lows.



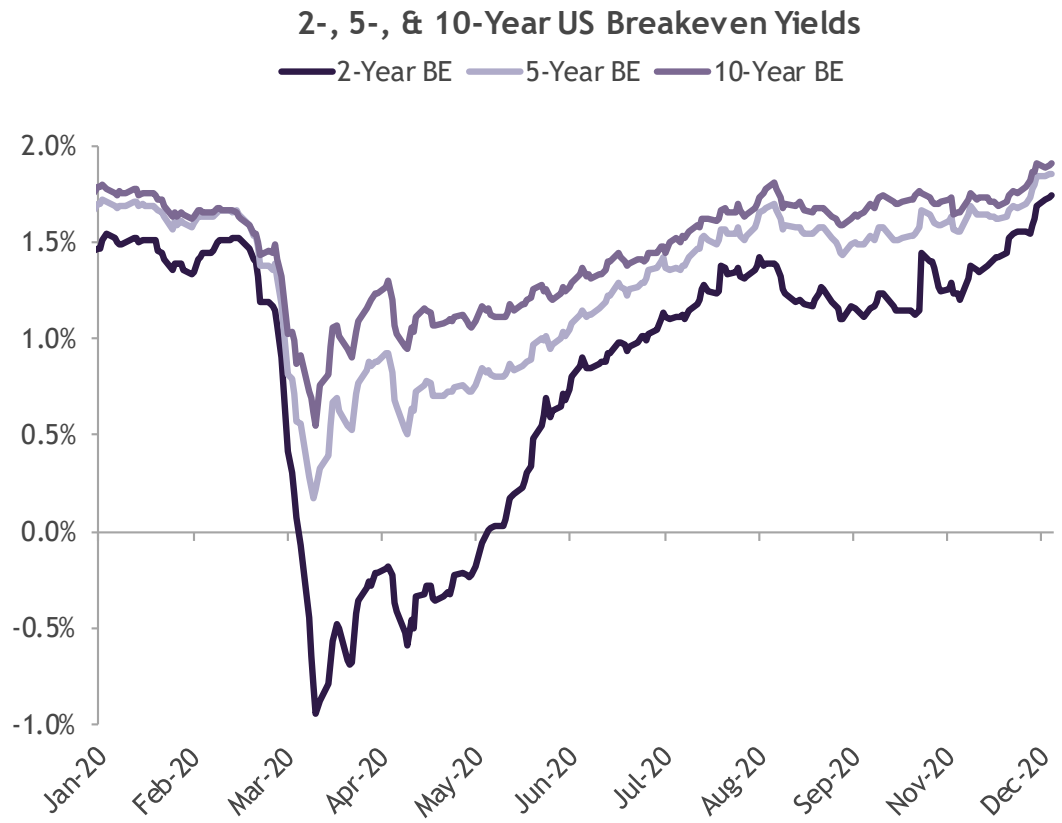
Data Source: Truist IAG, Bloomberg

Data as of 12/9/2020

Past performance does not guarantee future results.

Normalizing US Inflation Expectations Support Higher Yields in 2021

Following the sharp rebound from depressed levels, the US inflation outlook will likely oscillate over the coming year. While the Fed's inflation objective and the economy's firmer footing may boost inflation expectations, the US will also have to navigate disinflationary pressures created by the pandemic and elevated unemployment levels.



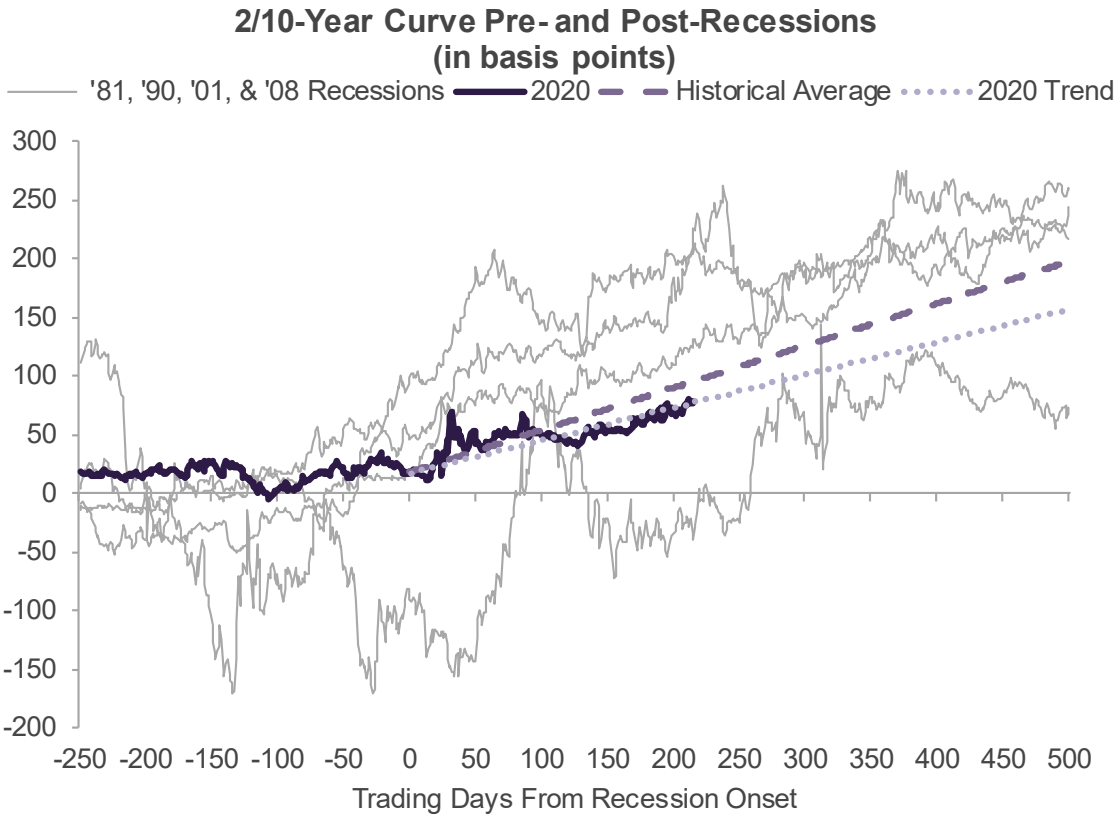
Data Source: Truist IAG, Bloomberg

Past performance does not guarantee future results.

Yield Curve Has Further to Steepen, Likely at More Gradual Pace Relative to History

Historically, the 2/10-year curve's slope steepens on average by 180 basis points in the first two years following the onset of a recession. Thus far, the curve has steepened by 60 basis points, suggesting a steepening bias should prevail in 2021.

However, we expect the Fed to continue its large asset purchases next year, which should partially offset the upward momentum.



Data Source: Truist IAG, Bloomberg

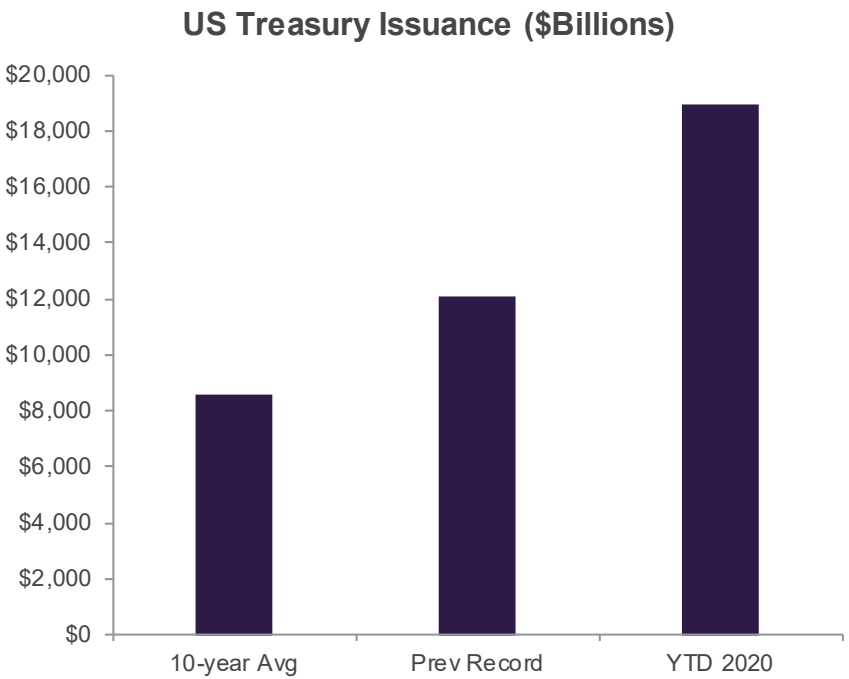
Data as of 12/9/2020

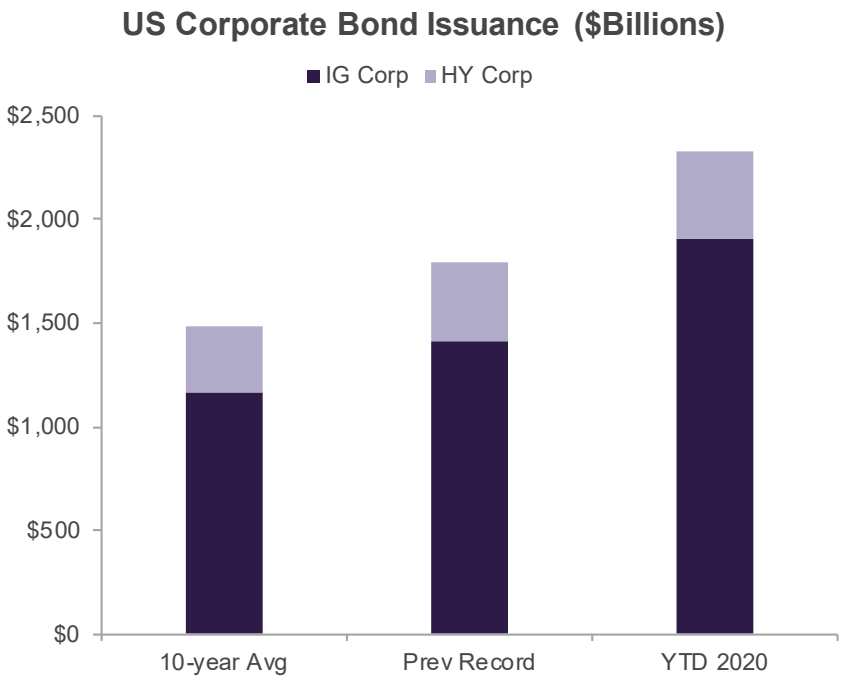
1 basis point = 0.01%

Past performance does not guarantee future results.

The US Debt Binge 2.0 Should Fuel Some Upside Pressure in Yields

In 2020, annual US Treasury issuance surpassed its previous record by more than $6 trillion to fund fiscal stimulus. In 2021, elevated US Treasury supply will continue to instill some upward yield pressure. The favorable yield environment will likely also fuel another busy year of corporate debt issuance.





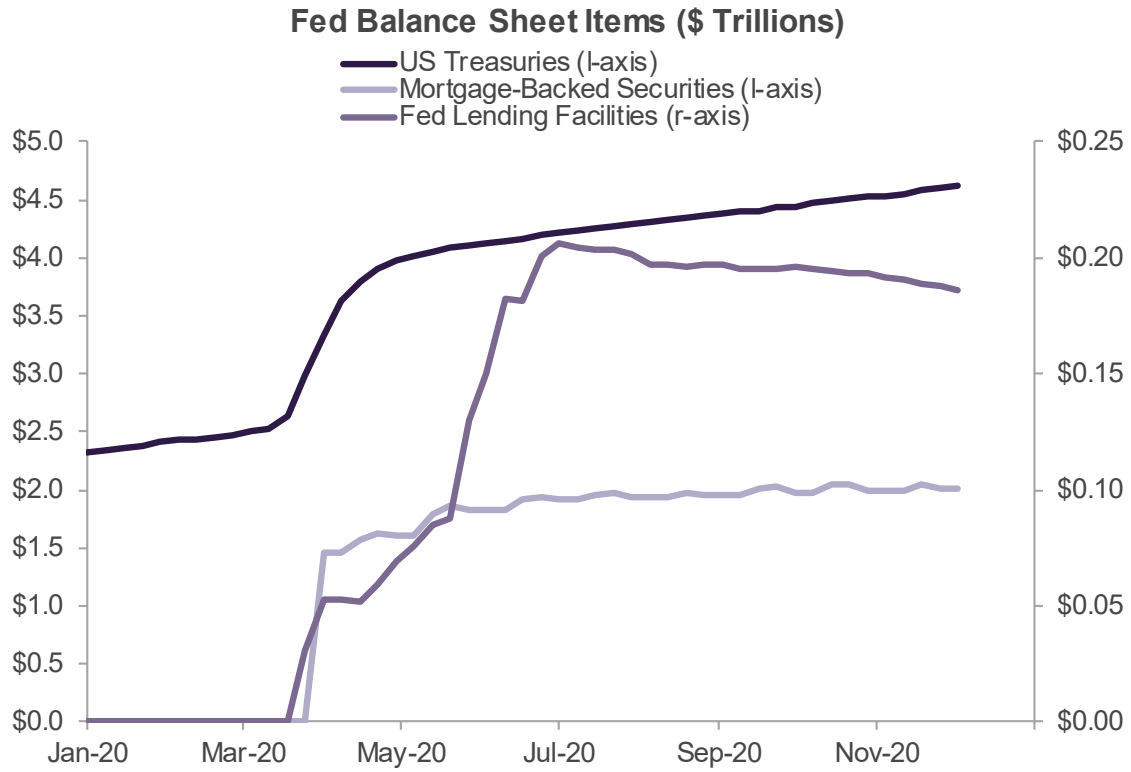
Data Source: Truist IAG, Bloomberg

Corporate bond issuance is represented by the US Investment Grade and US High Yield Corporate Bond Total Volume Index.

Past performance does not guarantee future results.

Although We Expect Higher Rates, Fed Asset Purchases to Restrain Upside

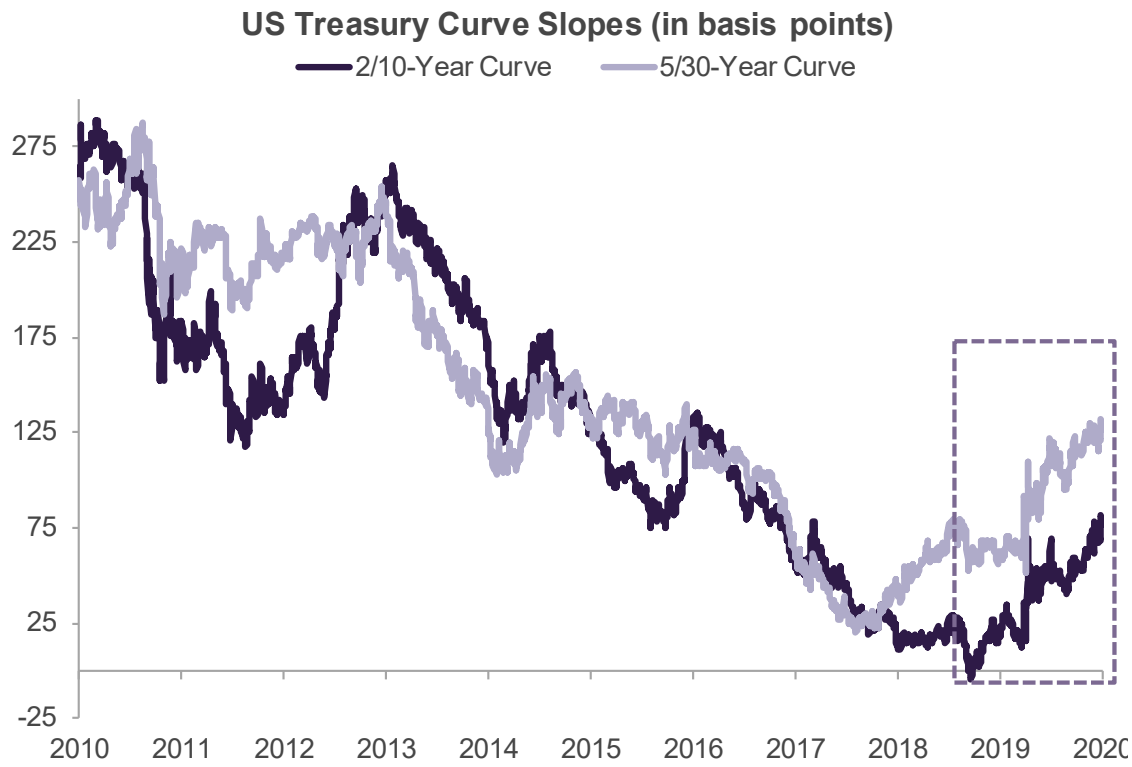
We expect the Fed's 2021 playbook to emphasize purchases of US Treasuries and agency mortgage-backed securities over its emergency lending facilities. The Fed will remain a key source of demand for US debt with the goal of preserving accommodative conditions via low rates.



Data Source: Truist IAG, Bloomberg

Expect Fed to Emphasize Longer-Dated US Treasury Purchases

We expect the Fed to extend the weighted-average maturity of its monthly US debt purchases to help contain long-dated US Treasury yields. The Fed would be a powerful source of demand within the longer regions of the yield curve. Its participation should soften the upward rate pressure created by robust US government debt issuance.



Data Source: Truist IAG, Bloomberg

1 basis point = 0.01%

Past performance does not guarantee future results.

International Demand for Higher Yielding US Debt Curbs Upside

Given the global yield scarcity, US Treasury and corporate bond yields remain relatively attractive. As international central banks suppress borrowing rates in support of their own recoveries, robust demand for US fixed income should continue. In the year ahead, this dynamic should continue to diminish upward yield momentum in the US.

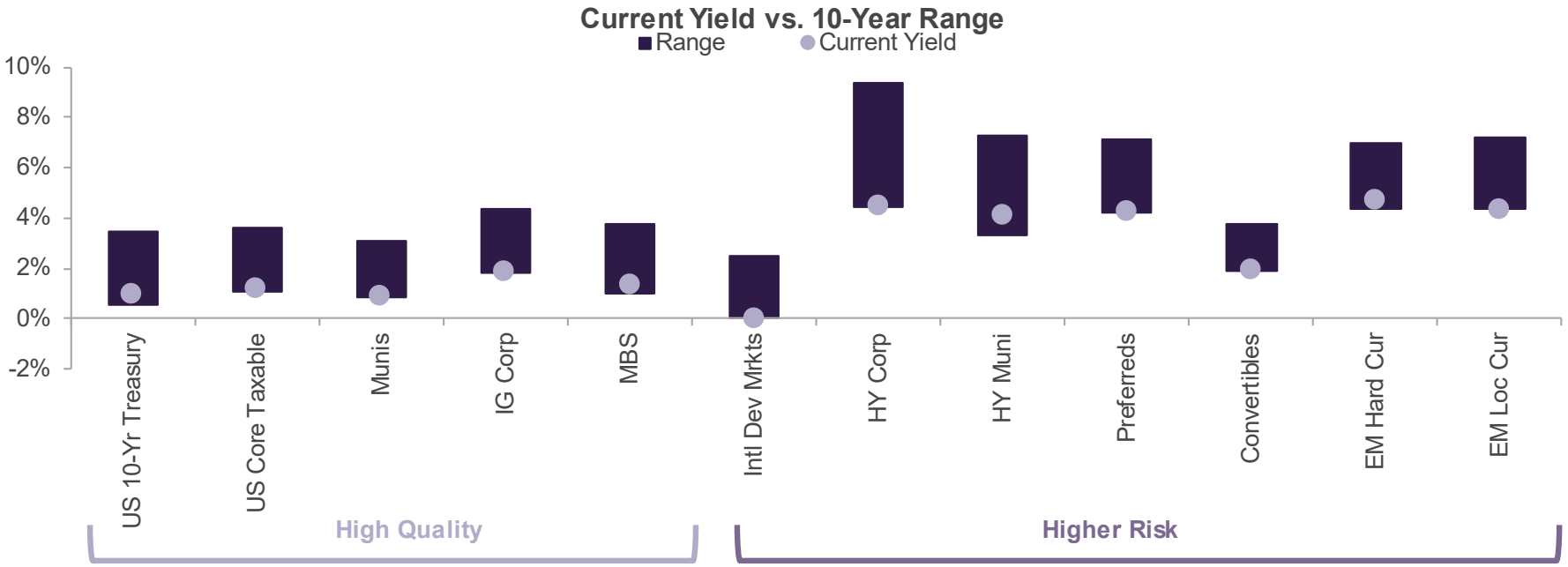
Data Source: Truist IAG, Bloomberg

US Corporate = Bloomberg Barclays US IG Corporate; EU Corporate = Bloomberg Barclays Euro-Aggregate Corporates

Past performance does not guarantee future results.

Relative Value in Fixed Income

We still see relative value in investment grade and high yield corporate bonds where there is a measure of support from the Fed and incremental yield opportunities.

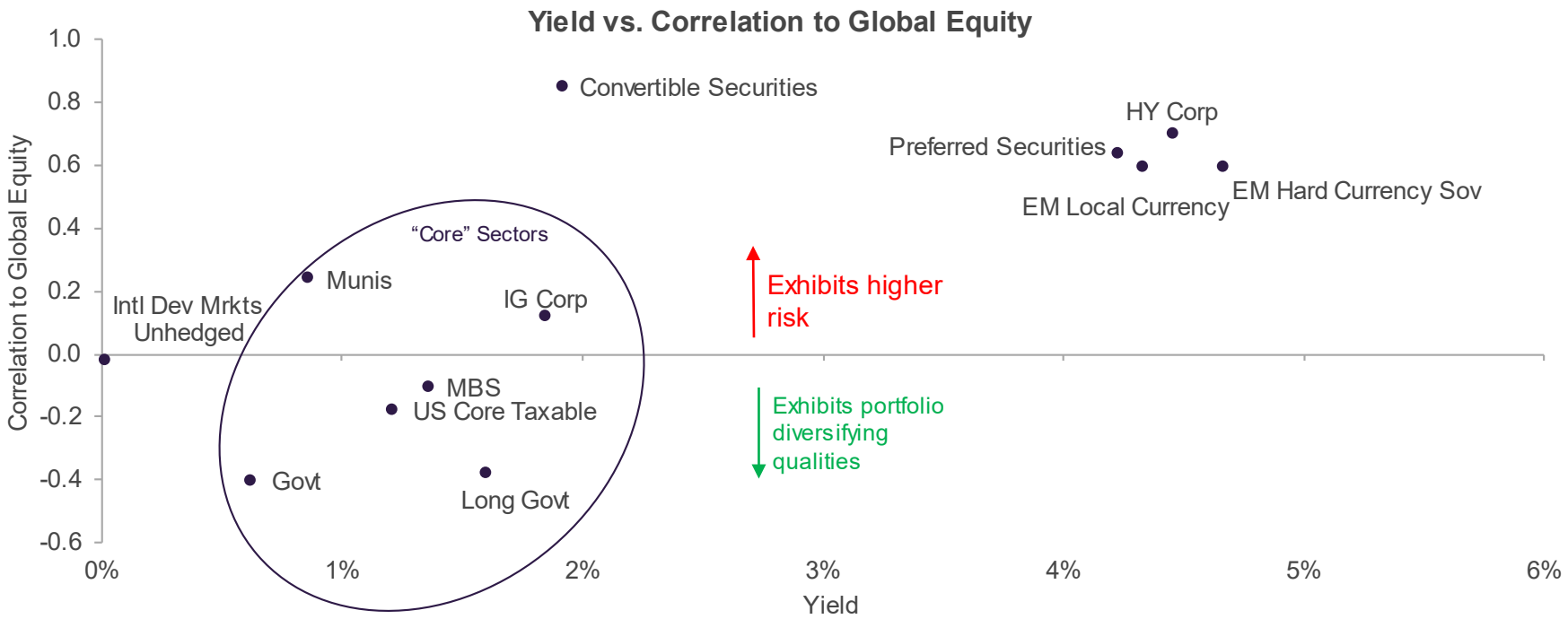


Data Source: Truist IAG; FactSet, BofA; yield to worst shown except for preferreds (yield to maturity) and convertibles (current yield); yields as of 12/4/2020 if available, otherwise as of 11/30/2020.

US 10-Yr Treasury = Bloomberg Barclays US Treasury Bellwethers (10-Yr); US Core Taxable = Bloomberg Barclays US Aggregate; Municipals = Bloomberg Barclays Municipal Bond 1-15 Year; US Corporates = Bloomberg Barclays US Corporate IG; MBS=Bloomberg Barclays US MBS; Intl Dev Mkts = ICE BofA Global Government ex US (USD Unhedged); HY Corp = ICE BofA US High Yield; HY Muni = Bloomberg Barclays Municipal High Yield; Preferreds = ICE BofA Fixed Rate Preferred; Convertibles = ICE BofA US Convertible; EM Hard Cur = JP Morgan EMBI Global Diversified; EM Loc Cur = JP Morgan GBI-EM Global Diversified. Past performance does not guarantee future results. Investing in the bond market is subject to certain risks, including market, interest rate, issuer and inflation risk; investments may be worth more or less than the original cost when redeemed. The value of most bond strategies and fixed income securities are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and more volatile than securities with shorter durations; bond prices generally fall as interest rates rise, and values rise when interest rates decline. Past performance does not guarantee future results.

Adding Incremental Yield Requires Risk, Higher Correlation to Equity

Within a portfolio context, we recommend maintaining a core allocation to high quality fixed income, which tends to be negatively correlated with global equity. Within higher-risk fixed income, we continue to favor investment grade and high yield US corporates for incremental yield, which should garner stable demand given the prevailing low rate environment, ongoing recovery and policy support.



Correlations are calculated using daily returns from 1/2/2018 through 12/4/2020. Yield as of 12/4/2020 if available, otherwise as of 11/30/2020.

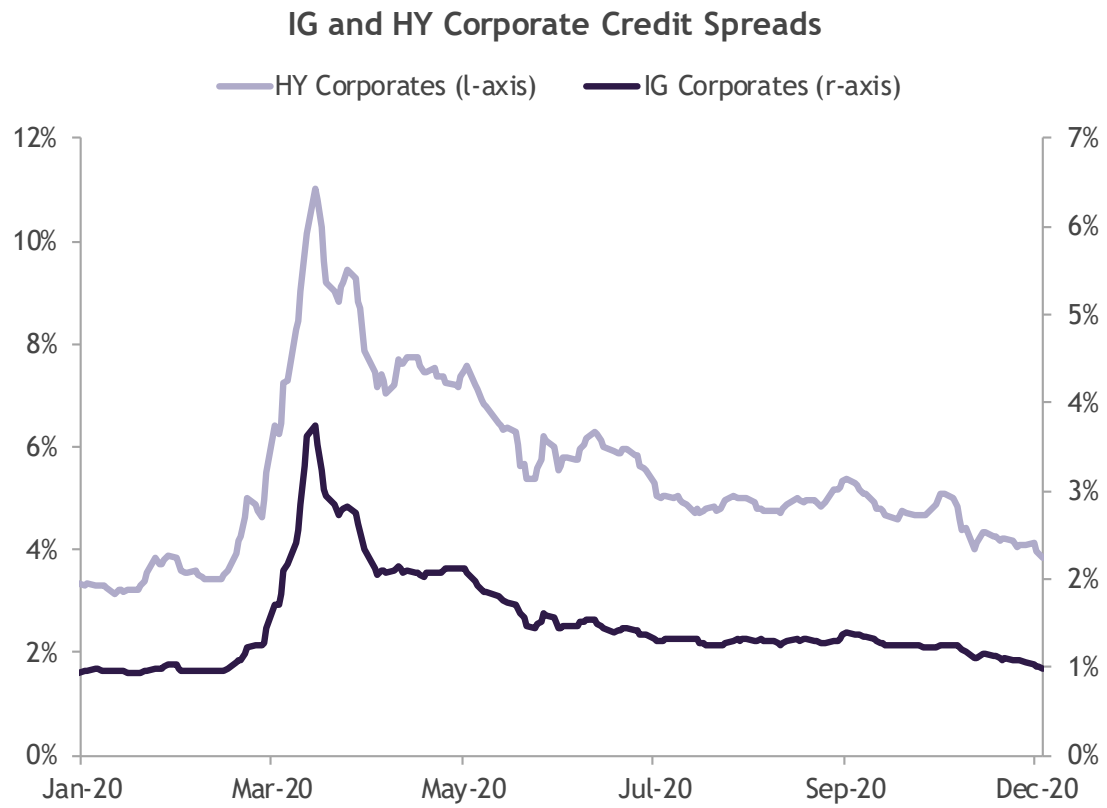
US Core Taxable = Bloomberg Barclays US Bond Aggregate; Munis = Bloomberg Barclays Municipal Bond Blend 1-15 Year; IG Corp = Bloomberg Barclays US IG Corporate; MBS = Bloomberg Barclays US MBS; Intl Dev Mrkts Hedged = ICE BofA Global Govt x the US unhedged; HY Corp = ICE BofA US High Yield; Govt = Bloomberg Barclays US Government; Long Govt = Bloomberg Barclays Long Government; Preferreds = ICE BofA Fixed Rate Preferred; Convertibles = ICE BofA US Convertible Index; EM Hard Currency = JPM EMBI Global Diversified; EM Local Currency = JPM GBI-EM Global Diversified.

Data Source: Truist IAG, Morningstar, FactSet Past performance does not guarantee future results.

Investment Grade and High Yield Credit Spreads Can Still Tighten

US corporates offer relative value, especially given the US's ongoing recovery and strong response from policymakers.

Although investment grade and high yield spreads have returned to pre-pandemic levels, we anticipate further tightening as investors gravitate to the sectors' yield advantages. The expiration of the Fed's corporate lending facilities may result in higher volatility in 2021.



Data Source: Truist IAG, Bloomberg

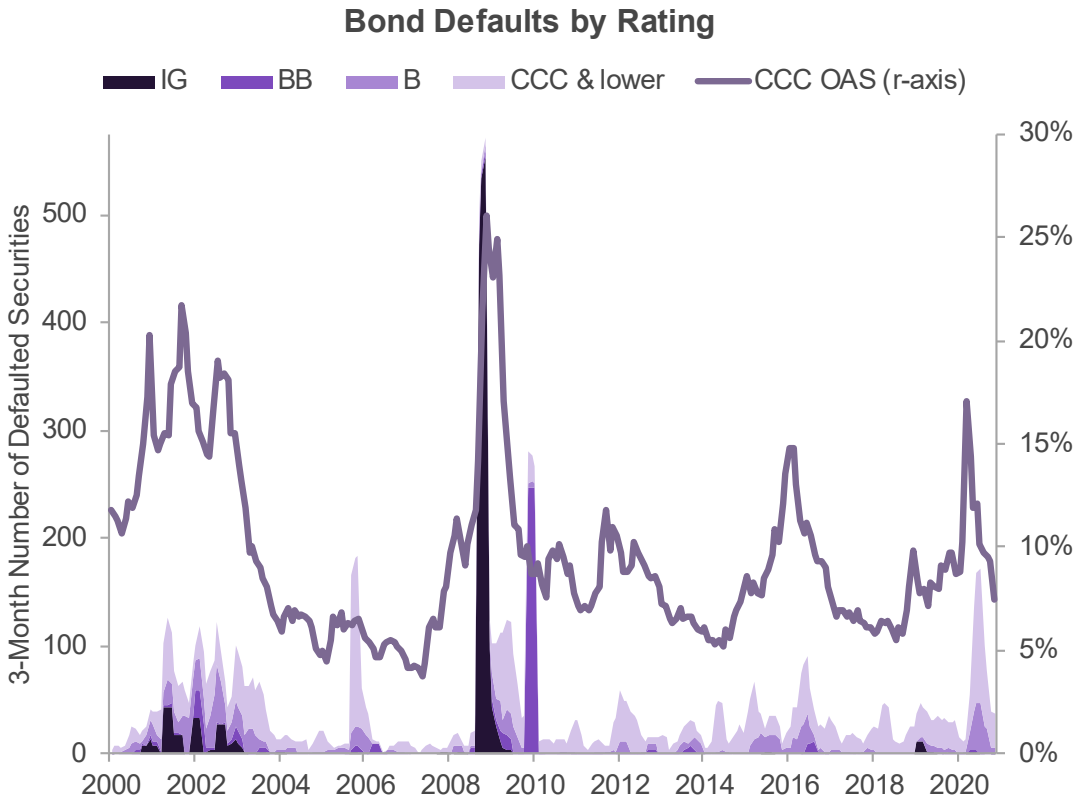
HY Corporates = Bloomberg Barclays US Corporate High Yield Avg OAS; IG Corporates = Bloomberg Barclays US Agg Corporate Avg OAS

High yield fixed income investments, also known as junk bonds are considered speculative, involve greater risk of default and tend to be more volatile than investment grade fixed income securities.

Past performance does not guarantee future results.

Lowest-Rated High Yield Corporates Offer Inadequate Compensation for Risk

Credit spreads in CCC-rated corporates have fallen below pre-pandemic levels, though we expect the number of defaults to remain elevated in 2021—especially among the lowest-rated issuers. Following their strongest rally since the financial crisis, the riskiest corners of the high yield corporate debt market currently offer an unfavorable risk-reward profile for investors seeking income.



Data Source: Truist IAG, Bloomberg

High yield fixed income investments, also known as junk bonds are considered speculative, involve greater risk of default and tend to be more volatile than investment grade fixed income securities.

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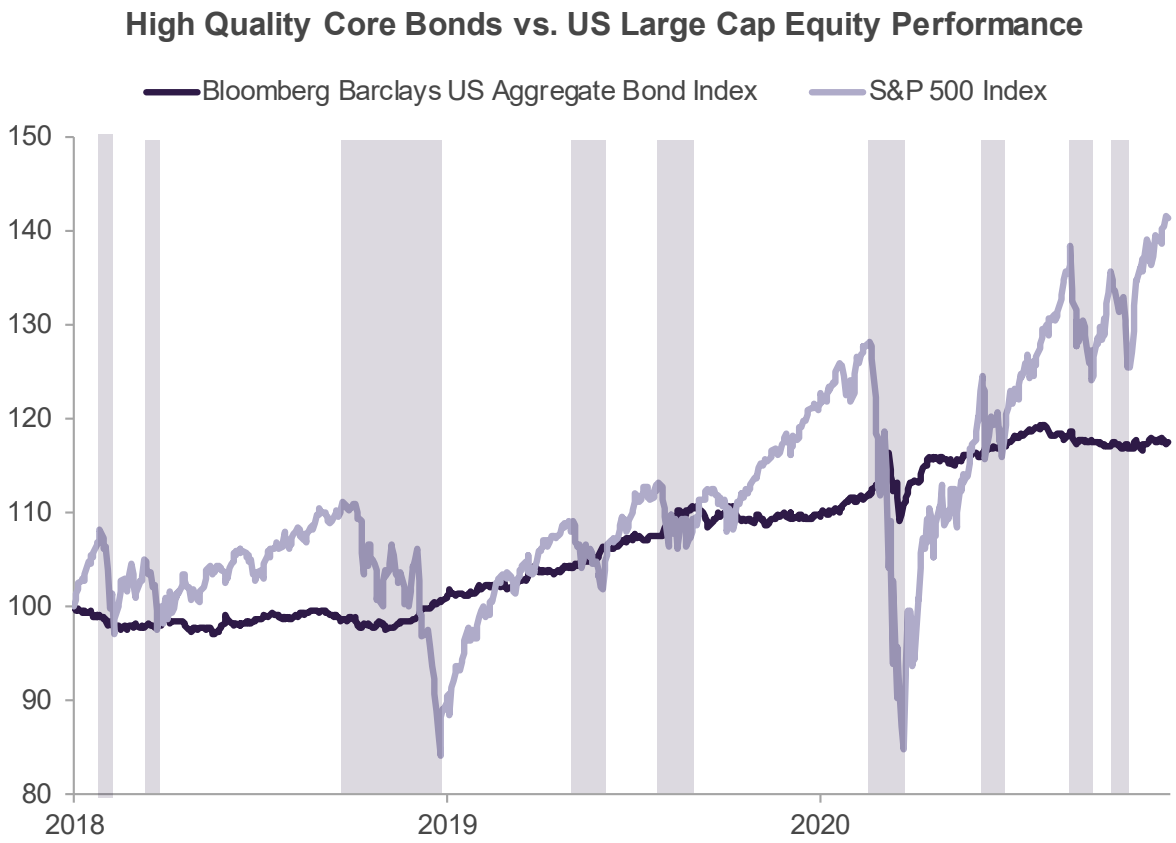
High Quality Bonds Providing Critical Ballast

High quality bonds continue to provide a stabilizing force in portfolios during periods of stock market weakness (shaded areas of the chart). A core allocation to high quality fixed income remains an integral component of a diversified asset allocation strategy.



Past performance does not guarantee future results.

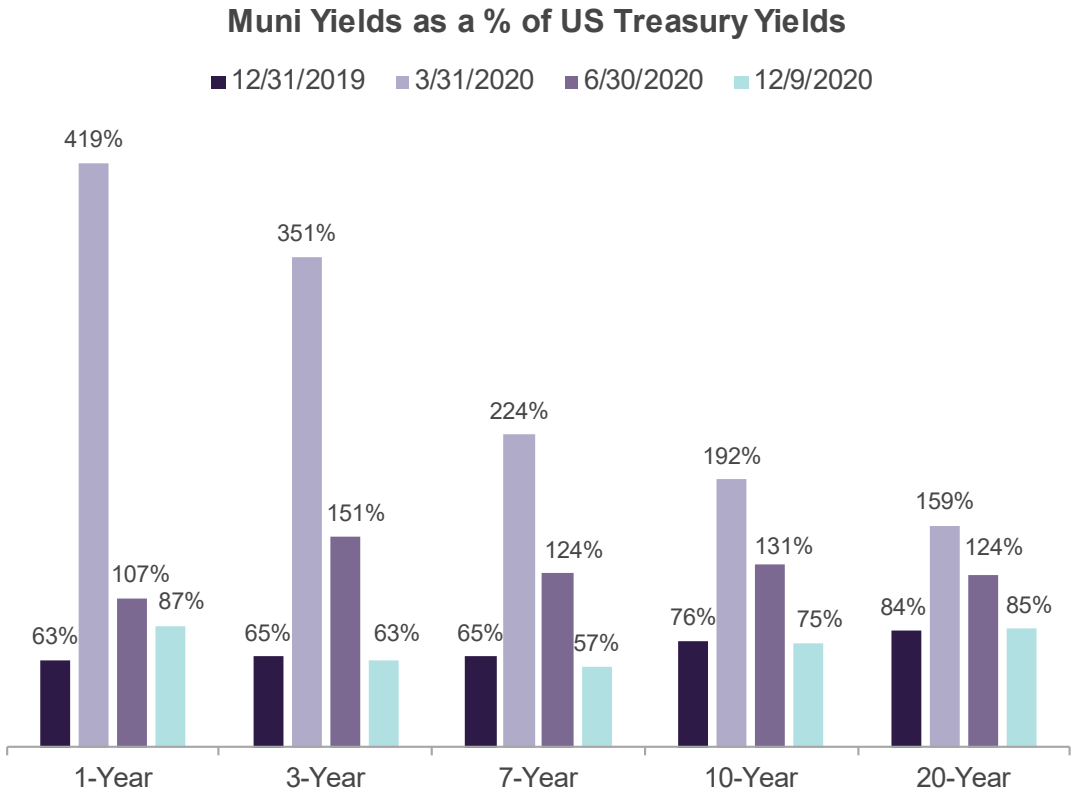
Data Source: Truist IAG, Bloomberg

High Quality Core Bonds = Bloomberg Barclays US Aggregate, a benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. As of 10/31, Treasuries made up over 40% of the index.
US Large Cap Equity = S&P 500

Robust Municipal Demand Overwhelming Supply

Municipal bonds are on firm footing despite a weaker US Treasury backdrop and lack of federal support. Strong muni demand and higher US Treasury yields have pushed some AAA muni-to-Treasury ratios to historic lows.

There is limited opportunity for further price appreciation in high quality munis. 2021 returns will be largely driven by coupon income. More price upside is available in lower quality munis and through issuers most adversely impacted by the pandemic; however, those wider spreads come with elevated risk.

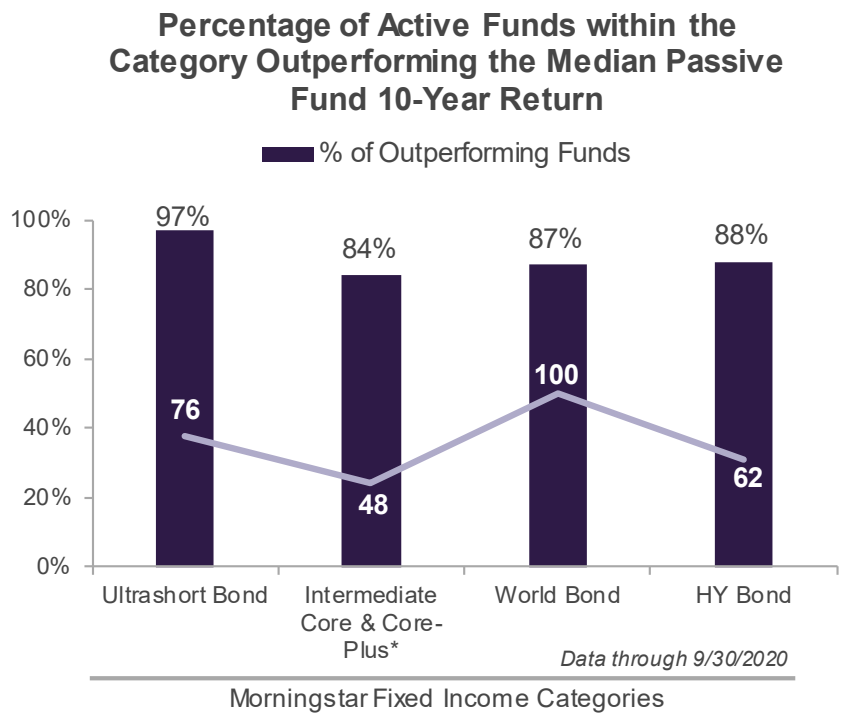


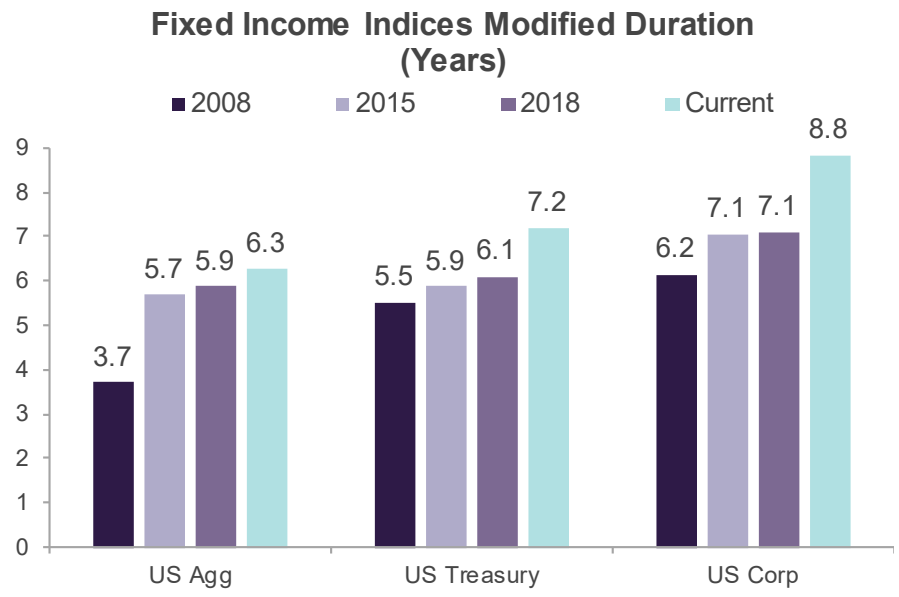
Data Source: Truist IAG, Bloomberg. Interest income may be subject to the federal alternative minimum tax. Other state and local taxes may apply.

Past performance does not guarantee future results.

Active Management Increasingly Important to Navigate Interest Rate and Credit Risk

Throughout 2020, US government and corporate issuers sought additional liquidity through long-dated debt issuance. As a result, the interest-rate sensitivity (i.e., duration) of major global fixed income indices has grown significantly. Active fixed income management can offer an effective way to address indices' duration extension and the elevated credit risk environment.





Data Source: Truist IAG, Bloomberg, PIMCO

*Combines the Morningstar US Fund Intermediate Core and Intermediate Core Plus categories

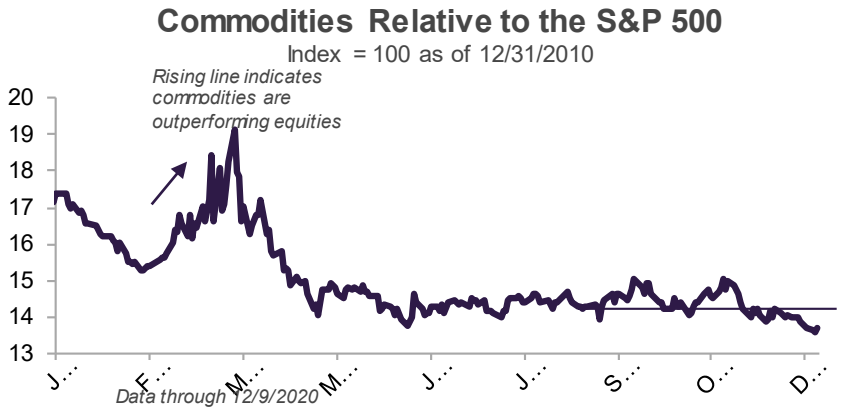
US Agg (Core Taxable) = Bloomberg Barclays US Aggregate; US Treasury = Bloomberg Bardays US Aggregate Treasury, US Corporates = Bloomberg Barclays US Aggregate Corporates

Past performance does not guarantee future results. 1 basis point = 0.01%.

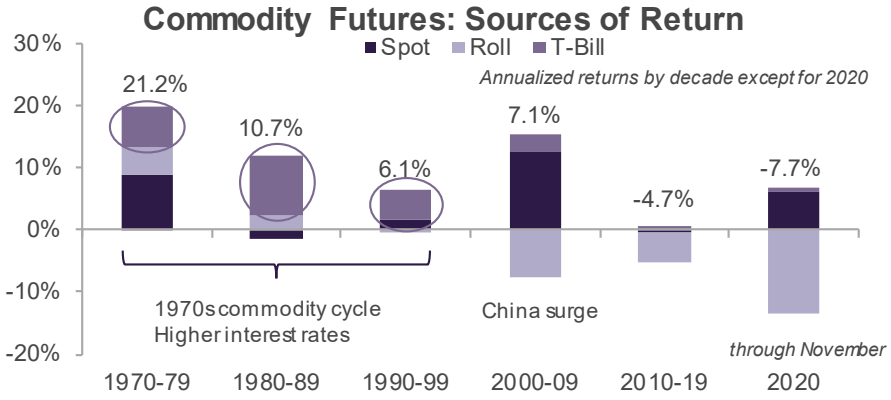
Non-Traditional

Commodities: Still on the Side Lines

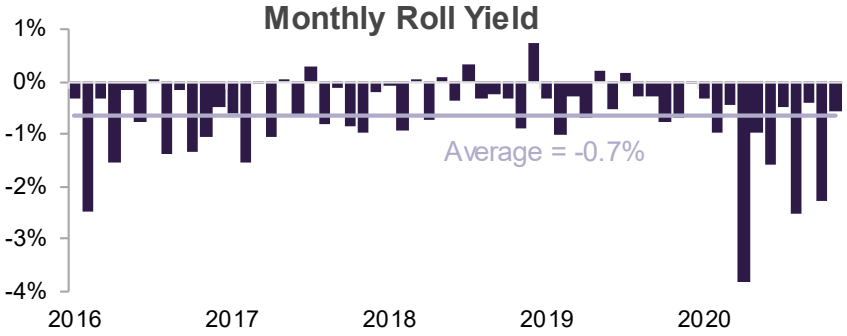
While the economic environment should improve in 2021, we still favor equities over commodities



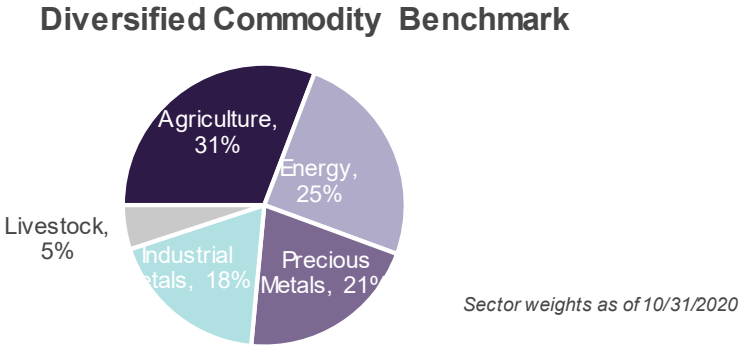
Although a big driver of returns in previous decades, cash offers no benefit with a dovish Fed



To outperform equities, the spot return would need to be very strong to overwhelm the negative roll yield



Agriculture is the largest sector, which usually has a negative roll return and is difficult to predict

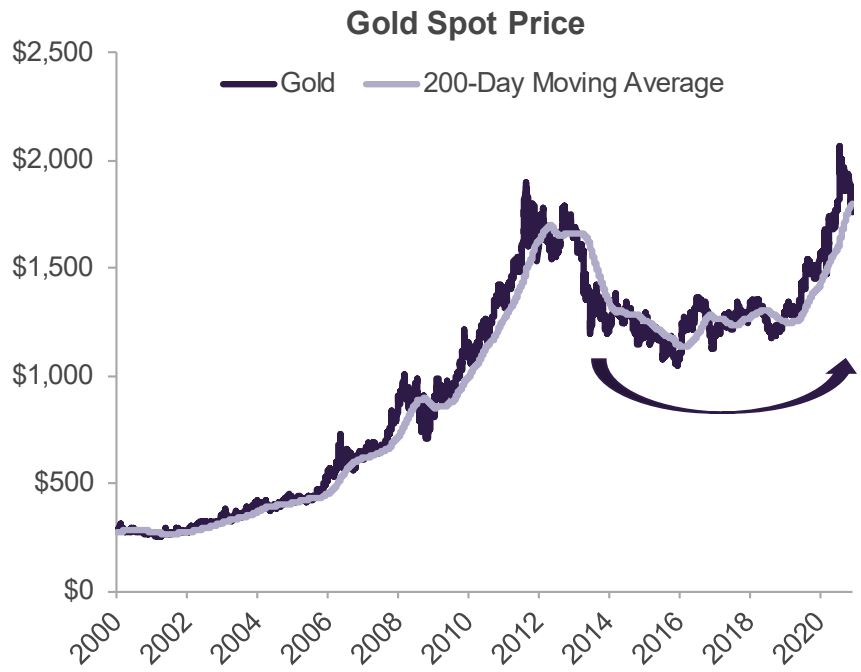


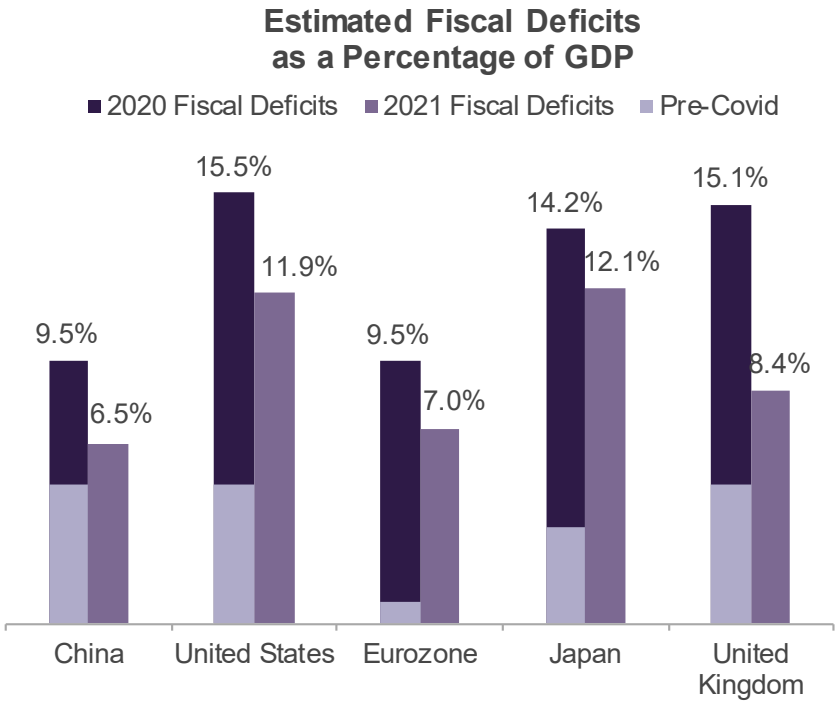
Data Source: Truist IAG, Morningstar, Bloomberg. Asset classes are represented by the following indices: Commodity Futures = Bloomberg Commodity Index; US Large Cap Equity = S&P 500.

Past performance is not indicative of future results. Please see Important Disclosures for additional information.

Gold – Maintain as a Portfolio Diversifier and Hedge

We are maintaining but closely monitoring our position in gold, which we have been viewing as a portfolio diversifier and hedge. It lagged later in 2020, as one might expect, given positive news on COVID-19 vaccines and US election clarity. Still, several factors support gold, including low interest rates, ballooning central bank balance sheets and elevated budget deficits. In a portfolio context, gold is less correlated with equities, which can support diversification, though gold tends to have higher volatility and larger drawdowns than high quality fixed income.





Data Source: Truist IAG, Barclays Research; Spot Gold = LBMA Gold Price PM

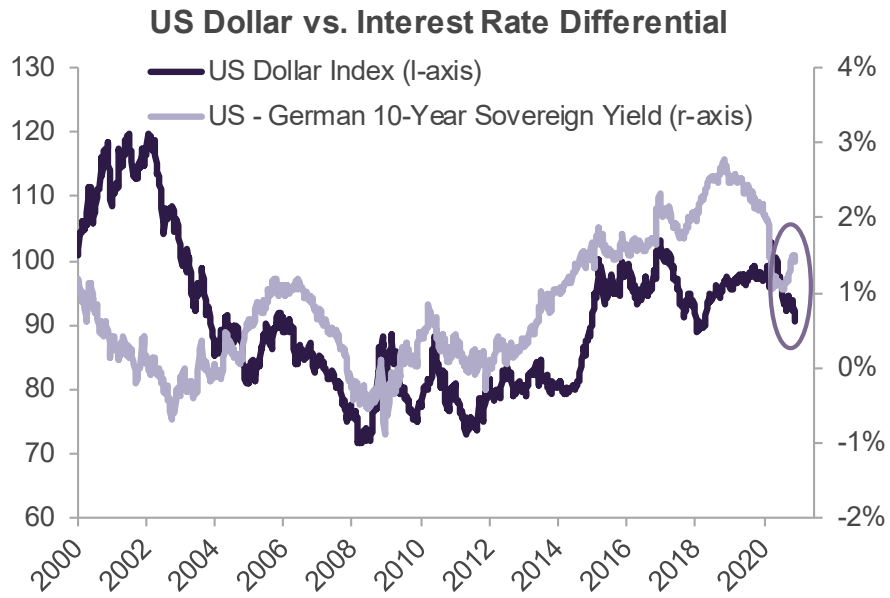
Investing in gold and other commodities is speculative and involves a high degree of risk and is not suitable for all investors. You could lose all or a substantial portion of your investment.

Past performance does not guarantee future results.

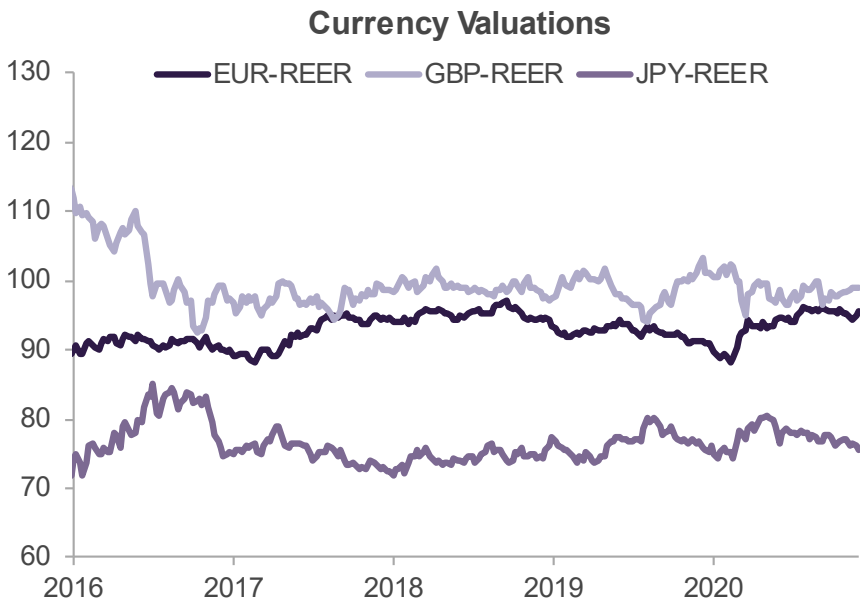
US Dollar to Stabilize in 2021

The US dollar should stabilize in 2021 as the political uncertainty fades in the US, while political risk in Europe may rise given an important election in Germany. Central banks, such as the Federal Reserve and the European Central Bank, are shifting to a steady state equilibrium and interest rate differentials still support the dollar. Any hiccups in the progress on vaccines or virus resurgences could provide US dollar support. The euro, the largest component of the US Dollar Index, has risen strongly since March, and higher levels would likely impede the region's economic recovery.

US rates are recovering relative to Germany's



The euro and pound are close to fair value, while the yen is at a discount



Data Source: Truist IAG, Bloomberg

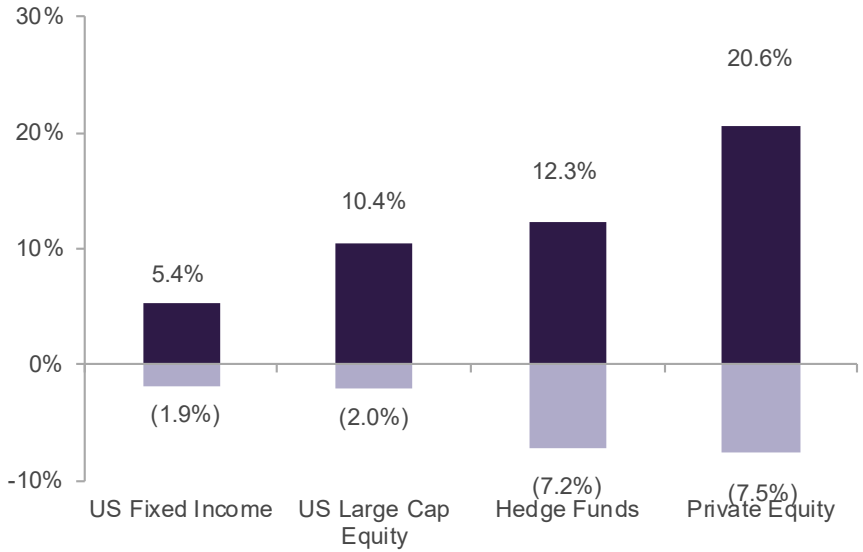
REER stands for the real effective exchange rate which is the weighted average of a country's currency in relation to an index or basket of other major currencies and is used to determine an individual country's currency value relative to the other major currencies in the index.

Past performance does not guarantee future results.

Manager Selection Key for Hedge Funds and Private Equity Given Wide Dispersion in Returns

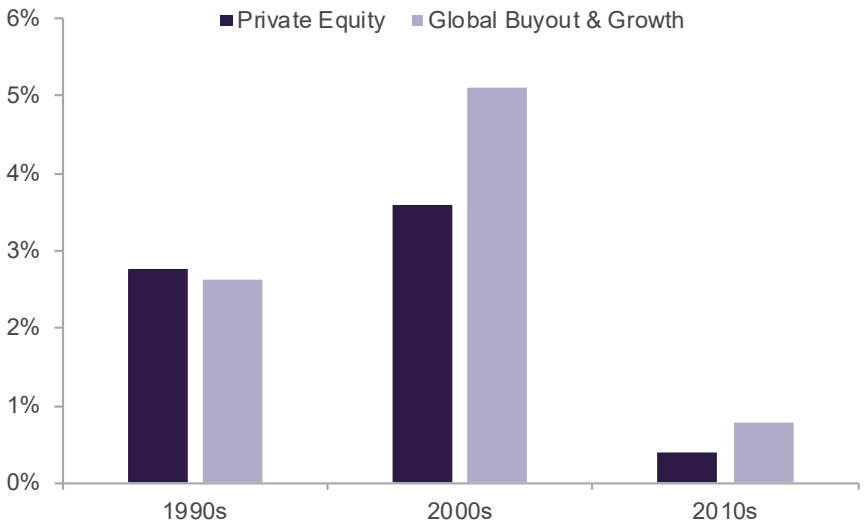
The wide return dispersion in alternatives shows the value-add opportunity in manager selection

Fund Manager Return Dispersion*



Private and public equity return convergence over the past decade suggests access to top

Private Equity Premium to US Mid Caps* (Average Rolling 4-Qtr Returns by Decade)



Hedge funds often engage in leveraging and speculative investment practices that may increase the risk of investment loss, can be highly illiquid, and are not required to provide periodic pricing or valuation information to investors. Hedge funds may involve complex tax structures and delays in distributing tax information. Hedge funds are not subject to the same regulatory requirements as mutual funds and often charge higher fees. The risk profile of private equity investment is higher than that of other asset classes and is not suitable for all investors. There are inherent risks in investing in private equity companies, which encompass financial institutions or vehicles whose principal business is to invest in and lend capital to privately held companies. These risks include a long term investment horizon, rigid liquidity restraints, and high bankruptcy rates among portfolio companies. Generally, little public information exists for private and thinly traded companies and there is a risk that investors may not be able to make a fully informed investment decision.

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Data Source: Truist IAG, Bloomberg, BlackRock. Asset classes are represented by the following indices *Mid caps = Russell Mid Cap through 3/1992 and S&P Mid Cap 400 thereafter. Global Buyout and Growth = Cambridge Global Buyout and Growth Equity Index. *Fund manager dispersion for the period 2005-2018 as provided by BlackRock. Private equity represents since inception rates of return and includes vintage years between 1993-2016. Returns for asset class represented by US domiciled funds tracked by Morningstar.

Past performance does not guarantee future results.

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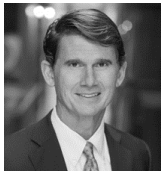

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Equity is represented by the MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries*. With 2,757 constituents, the index covers approximately 85% of the global investable equity opportunity set

Fixed Income is represented by the Barclays Aggregate Index. The index measures the performance of the U.S. investment grade bond market. The index invests in a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States – including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than 1 year.

Important Disclosures

Commodities are represented by the Bloomberg Commodity Index which is a composition of futures contracts on physical commodities. It currently includes a diversified mix of commodities in five sectors including energy, agriculture, industrial metals, precious metals and livestock. The weightings of the commodities are calculated in accordance with rules that ensure that the relative proportion of each of the underlying individual commodities reflects its global economic significance and market liquidity.

Cash is represented by the ICE BofAML US Treasury Bill 3 Month Index which is a subset of the ICE BofAML 0-1 Year US Treasury Index including all securities with a remaining term to final maturity less than 3 months.

US Large Cap Equity is represented by the S&P 500 Index which is an unmanaged index comprised of 500 widely-held securities considered to be representative of the stock market in general.

US Mid Cap is represented by the S&P MidCap 400® provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500®, measures the performance of mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment.

US Small Cap Core Equity is represented by the Russell 2000 Index which is a measure of the performance of the small-cap segment of the US equity universe. The Russell 2000 is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

International Developed Markets is represented by the MSCI EAFE Index is an equity index which captures large and mid cap representation across 21 Developed Markets countries* around the world, excluding the US and Canada. With 921 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Emerging Markets is represented by the MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries*. With 1,125 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Value is represented by the Russell 1000® Value Index which measures the performance of those Russell 1000® Index companies with lower price-to-book

ratios and lower forecasted growth values.

Growth is represented by the Russell 1000® Growth Index which measures the performance of those Russell 1000® Index companies with higher price-to-book

ratios and higher forecasted growth values

US Government Bonds are represented by the Bloomberg Barclays US Government Index which is an unmanaged index comprised of all publicly issued, non-convertible domestic debt of the US government or any agency thereof, or any quasi-federal corporation and of corporate debt guaranteed by the US government

US Mortgage-Backed Securities are represented by the US Mortgage-Backed Securities (MBS) Index which covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

US Investment Grade Corporate Bonds are represented by the Bloomberg Barclays US Corporate Investment Grade Index which is an unmanaged index consisting of publicly issued US Corporate and specified foreign debentures and secured notes that are rated investment grade (Baa3/BBB- or higher) by at least two ratings agencies, have at least one year to final maturity and have at least $250 million par amount outstanding.

US High Yield Corp is represented by the ICE BofAML U.S. High Yield Index tracks the performance of below investment grade, but not in default, US dollar denominated corporate bonds publicly issued in the US domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P.

Floating Rate Bank Loans are represented by the Credit Suisse Leveraged Loan Index. The index represents tradable, senior-secured, U.S.-dollar-denominated non-investment-grade loans.

Global Equity is represented by the MSCI All World Country (ACWI) Index which is defined as a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI Index consists of 48 country indices comprising 24 developed markets countries and 24 emerging markets countries.

Emerging Markets Equity is represented by the MSCI EM Index which is defined as a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets countries

Intermediate Term Municipal Bonds are represented by the Bloomberg Barclays Municipal Bond Blend 1-15 Year (1-17 Yr) is an unmanaged index of municipal bonds with a minimum credit rating of at least Baa, issued as part of a deal of at least $50 million, that have a maturity value of at least $5 million and a maturity range of 12 to 17 years.

US Core Taxable Bonds are represented by the Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

Slide 50: EU Corporate is represented by the Bloomberg Barclays Euro-Aggregate Corporates Index which is a benchmark that measures the corporate component of the Euro Aggregate Index and includes investment grade, euro-denominated, fixed-rate securities.

Important Disclosures

US Government Bonds are represented by the Bloomberg Barclays US Government Index which is an unmanaged index comprised of all publicly issued, non-convertible domestic debt of the US government or any agency thereof, or any quasi-federal corporation and of corporate debt guaranteed by the US government.

US IG Corporate Bonds are represented by the Bloomberg Barclays US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

US High Yield Corporate Bonds are represented by the ICE BofAML US HY Master Index which is an index that tracks US dollar denominated debt below investment grade corporate debt publicly issued in the US domestic market.

S&P 500 Information Technology Index – a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the information technology sector based on GICS® classification.

S&P 500 Financials Index – a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the financials sector based on GICS® classification.

S&P 500 Energy Index – a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the energy sector based on GICS® classification.

S&P 500 Materials Index – a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the materials sector based on GICS® classification.

S&P 500 Industrials Index – a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the industrials sector based on GICS® classification.

S&P 500 Consumer Discretionary Index – a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the consumer discretionary sector based on GICS® classification.

S&P 500 Communication Services Index – a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the communication services sector based on GICS® classification.

S&P 500 Utilities Index – a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the utilities sector based on GICS® classification.

S&P 500 Consumer Staples Index – a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the consumer staples sector based on GICS® classification.

S&P 500 Health Care Index – a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the health care sector based on GICS® classification.

S&P 500 Real Estate Index – a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the real estate sector based on GICS® classification.

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