from the Investment Advisory Group,
Truist Advisory Services, Inc.

Market Navigator

September 3, 2021

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Monthly letter

Keith Lerner, CFA, CMT
Co-Chief Investment Officer
Chief Market Strategist

"Far more money has been lost by investors trying to anticipate corrections than lost in the corrections themselves."

- Peter Lynch, legendary Fidelity fund manager

After a hot summer, investors have much to cheer about aside from cooler temperatures. So far this year, stocks have posted much stronger than average gains, with much shallower than average pullbacks. Impressively, these gains have occurred despite the ongoing carousel of concerns, ranging from geopolitical tensions, the Delta variant and peak economic growth to the upcoming Federal Reserve (Fed) taper.

Should investors be nervous that we have moved too far, too fast? History says no. Following past seven-month winning streaks, such as what just occurred for the S&P 500, stocks have moved higher six months later 13 out of 14 times. Likewise, when the market was up more than 15% through August, stocks have averaged an additional 4% gain by year end.

Moreover, new highs in the market are not an issue as long as they are supported by fundamentals. And the biggest driver behind stock returns this year has been earnings, with a capital E. This is consistent with one of our key themes over the past year, that the earnings power of corporate America was underappreciated.

That said, it would be perfectly normal to see at least one gut check before year end, whether that emanates from one of the aforementioned concerns, the upcoming political wrangling over tax rates and the debt ceiling, or, more likely, something that isn't in the headlines today. However, our view is investors are better served to focus on the primary trend, which still appears higher over the next 12 months. As the great fund manager Peter Lynch eloquently stated: "*Far more money has been lost by investors trying to anticipate corrections than lost in the corrections themselves.*"

Importantly, our macro team expects U.S. economic growth to stay well above trend into 2022, and this remains supportive of earnings. Stocks have risen on a one-year basis 85% of the time during economic expansions and remain attractive relative to fixed income and cash.

We are still finding global opportunities, but maintain our long-standing U.S. bias, which we view as the big blue chip country with generally higher quality companies. Notably, stronger comparative earnings are the primary factor behind the outperformance of the U.S. and, until that changes, we are sticking with a domestic bias.

We have become increasingly negative on emerging markets, where China represents 34% of the index. Several of China's public companies have been or will be forced to change their business models, share a significant portion of profits for "common prosperity" causes, or become non-profit entities like the private tutoring companies. This is likely to keep valuations depressed and weigh on profits.

Moving to fixed income, after a 50% retracement from its peak earlier in the year, the 10-year U.S. Treasury yield appears to have stabilized. Our fixed income team expects yields to gradually move higher into year end as we move past the worst of the Delta variant, investors see that peak growth does not mean weak growth, and the Fed moves closer to tapering. Accordingly, we remain slightly short duration. Given our still constructive economic outlook, we maintain a preference for U.S. credit sectors, including leveraged loans and high yield corporate bonds, where incremental yield opportunities exist.

Keith Lerner, CFA, CMT
Co-Chief Investment Officer
Chief Market Strategist

Asset class view, forecasts & valuation*

We did not make any asset class shifts over the past month, but we slightly adjusted our U.S. GDP forecast to a range of 6.2% - 7.2% from 6.2% - 7.3%.

Tactical outlook (3-12 months)

Asset classes	Less Attractive			More Attractive	
Equity				●	
Fixed income	●				
Cash			●		

Global equity	Less Attractive			More Attractive	
U.S. large cap					●
U.S. mid cap			●		
U.S. small cap				●	
Real estate investment trusts (REITs)***				●	
International developed markets		●			
Emerging markets (EM)	●				
Growth style relative to value		●			

U.S. fixed income	Less Attractive			More Attractive	
U.S. government		●			
U.S. mortgage-backed securities		●			
U.S. investment grade corporate (IG)			●		
U.S. high yield corporates (HY)				●	
Leveraged loans				●	
Duration		●			

Long-term capital market assumptions (10 yr)+

Equity	Expected Return	Expected Risk
Global equity	6.75%	16.4%
U.S. large cap	6.75%	15.2%
U.S. small cap	7.50%	19.0%
Real estate investment trusts (REITs)	5.25%	18.0%
International developed markets	6.50%	17.8%
Emerging markets (EM)	7.25%	23.0%

Fixed income	Expected Return	Expected Risk
Intermediate-term municipals	1.50%	3.5%
U.S. core taxable bonds	1.25%	3.3%
U.S. government bonds	0.75%	3.9%
U.S. IG corporate bonds	2.00%	6.0%
U.S. HY corporate bonds	4.75%	10.0%

Key IAG 2021 forecasts	
2021 global GDP forecast*	6.0%
U.S. GDP range	6.2% - 7.2%
Year-end Fed Funds rate range	0.00% - 0.25%
10-yr U.S. Treasury yield	1.00% - 2.00%
S&P 500 12-month forward EPS**	$213.44

*Bloomberg consensus **FactSet consensus estimates

Global equity market valuation	S&P 500	MSCI ACWI	MSCI EAFE	MSCI EM
Current price-to-earnings (P/E) ratio	21.2x	19.1x	16.3x	13.3x
10-year average P/E ratio	16.3x	15.0x	13.9x	11.5x
10-year high P/E ratio	23.4x	20.8x	18.2x	17.0x
10-year low P/E ratio	10.0x	9.6x	9.1x	8.2x

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Past performance does not guarantee future results. Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.
***In this document, we express our high-level investment strategy views without portfolio context constraints. We aim to represent relative opportunities within each broader asset class.** This allows us to signal what we are watching and where things are changing at the margin within positions that may differ from our asset allocation guidance and Strategy Portfolios. Long-term expected risk, return and correlation statistics are derived from the Portfolio & Market Strategy team's capital market assumptions process and are not guaranteed. Secular trends, such as demographics, global debt, inflation, etc. are initially assessed to determine the impact on global markets over the next decade. With an understanding of the current stage of the business cycle, a combination of quantitative and fundamental techniques is used to further analyze factors that include, but are not limited to: (1) the outlook for asset class return drivers; (2) the probability of sustained returns; (3) absolute and relative valuation measures; (4) the impact of economic drivers on asset class assumptions and (5) changes in investor sentiment and liquidity. +Capital market assumptions are reviewed and/or modified at least once a year and are currently as of 2020. ***REITs – Our asset class views can differ at times from our sector strategy as the latter has a much heavier emphasis on price momentum, whereas fundamentals play a greater role in our asset class view.

Sector Strategy

Truist Advisory Services, Inc.

Our sector strategy overweights have shifted over recent months from a concentration of only economically-sensitive areas of the market to currently more of a balance between cyclicality (energy and financials) and other areas, including communications services (growth) and real estate (containing growth and value characteristics). This is consistent with a shift in technical and fundamental trends. There is also a transition that is underway as we move deeper into the second year of the bull market where economic growth has likely peaked, though stays above-trend, as well as some near-term challenges presented by the uncertainties of the Delta variant. *Last updated = 9/3/2021*

Sector	S&P 500 Sector weight	Tactical outlook (3-12M) *Under-weight*		*Over-weight*	T	F	V	Comments
Energy	2.6%			●	↔	+	+	An improving macro outlook, a positive demand/supply backdrop, as well as attractive valuations and fundamentals should result in outperformance for the sector near term, despite long-term challenges.
Communication Services	11.1%			●	+	↔	↔	Improving technical trends and strong expected growth from some of the larger companies within the sector suggest continued relative outperformance.
Real Estate*	2.6%			●	+	↔	-	After lagging the broader market for the last few years, we believe Real Estate will play "catch-up" and outperform given an acceleration in rents and a sector that is now more weighted to the digital economy.
Financials	11.1%			●	↔	↔	+	Financials are expected to benefit given the improved economic environment, our expectations for a steeper yield curve, and lesser concerns for top-line growth, net interest margins, credit quality, and capital adequacy.
Information Technology	27.8%		●		+	↔	-	Relative price trends for tech have improved, which is a positive, though this has not yet been supported by better earnings; this is one of the main factors we are watching before becoming more constructive. Policy is also a risk.
Industrials	8.5%		●		↔	+	↔	Despite expected strong earnings growth, relative price performance has been under pressure as the outlook for the economic recovery and anticipated Fed actions becomes less certain.
Health Care	13.2%		●		↔	-	↔	After significant underperformance over the last year, relative price trends have been improving. This, along with near-term uncertainty in the market and reasonable valuations, warrants a neutral outlook.
Materials	2.5%		●		-	↔	+	While strong global growth should benefit the sector and earnings remain positive, the technical trends have weakened. Similar to the Industrials sector, uncertainty is also weighing on Materials. Thus, we hold a neutral outlook.
Consumer Discretionary	12.3%		●		↔	+	-	Technical trends have improved recently as market sentiment shifts somewhat back to growth. Earnings trends have also shown some modest improvement, although valuation is relatively unattractive and could be a headwind.
Consumer Staples	5.8%	●			-	-	↔	While valuations seem reasonable, a relatively weak growth outlook for the sector and poor relative price performance warrants an underweight position.
Utilities	2.5%	●			-	-	↔	Poor relative performance for this "bond proxy" sector is being driven by weak fundamentals and increasing expectations for eventual higher interest rates.

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.

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Performance summary as of August 31, 2021

Truist Advisory Services, Inc.

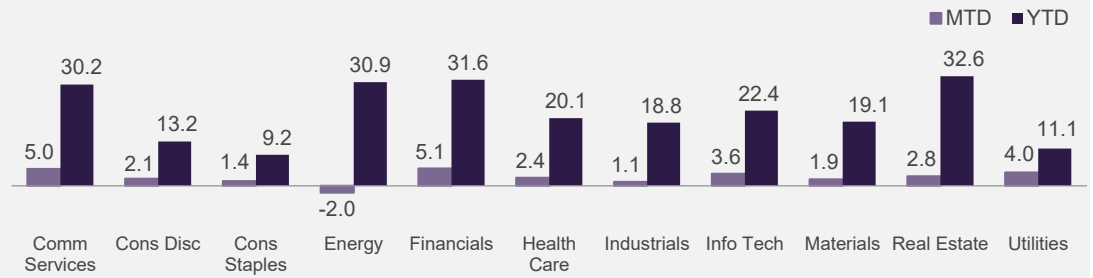
Index % Total Return	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	2.50	3.21	15.91	28.52
S&P 500	3.04	5.49	21.58	31.03
MSCI EAFE (net)	1.76	2.53	11.58	26.01
MSCI Emerging Markets (net)	2.62	-4.29	2.84	21.03
Dow Jones Industrials	1.50	2.86	17.04	26.66
NASDAQ Composite	4.00	5.21	18.40	29.46
S&P United States REITs	1.87	6.83	30.02	40.14
Bloomberg Commodity Index	-0.30	1.54	23.01	30.87
Bloomberg Aggregate	-0.19	0.93	-0.69	-0.08
ICE BofA US High Yield	0.55	0.90	4.64	10.22
Bloomberg Municipal Bond Blend 1-15 Year	-0.20	0.53	1.10	2.52
ICE BofA Global Government xUS (USD Unhedged)	-0.79	1.06	-5.19	-1.33
ICE BofA Global Government xUS (USD Hedged)	-0.35	1.11	-0.86	0.85
JP Morgan EMBI Global Diversified	0.98	1.40	0.73	4.58

Rates (%)	8/31/21	6/30/21	3/31/21	12/31/20	9/30/20
Fed Funds Target	0.25	0.25	0.25	0.25	0.25
Libor, 3-Month	0.11	0.14	0.19	0.23	0.23
T-Bill, 3-Month	0.04	0.05	0.02	0.07	0.10
2-Year Treasury	0.20	0.25	0.16	0.11	0.13
5-Year Treasury	0.77	0.87	0.93	0.36	0.27
10-Year Treasury	1.30	1.44	1.73	0.91	0.68
30-Year Treasury	1.92	2.06	2.42	1.64	1.45
Bloomberg Aggregate (YTW)	1.42	1.50	1.61	1.12	1.18
Bloomberg Municipal Bond Blend 1-15 Year	0.69	0.76	0.87	0.77	0.96
ICE BofA US High Yield	3.94	3.85	4.27	4.24	5.76
Currencies	**8/31/21**	**6/30/21**	**3/31/21**	**12/31/20**	**9/30/20**
Euro ($/€)	1.18	1.19	1.18	1.22	1.17
Yen (¥/$)	109.86	110.99	110.50	103.25	105.53
Pound ($/£)	1.38	1.38	1.38	1.37	1.29
Commodities	**8/31/21**	**6/30/21**	**3/31/21**	**12/31/20**	**9/30/20**
Crude Oil (WTI)	68.50	73.47	59.16	48.52	40.22
Gold	1,818	1,772	1,716	1,895	1,896
Volatility	**8/31/21**	**6/30/21**	**3/31/21**	**12/31/20**	**9/30/20**
CBOE VIX	16.48	15.83	19.40	22.75	26.37

U.S. style % total returns (S&P indexes)

Week				YTD		
Value	Core	Growth		Value	Core	Growth
1.72	3.04	4.18	Large	19.24	21.58	23.60
2.40	1.95	1.44	Mid	25.69	20.30	14.99
1.92	2.02	2.13	Small	27.30	23.04	18.85

S&P 500 sector % total returns



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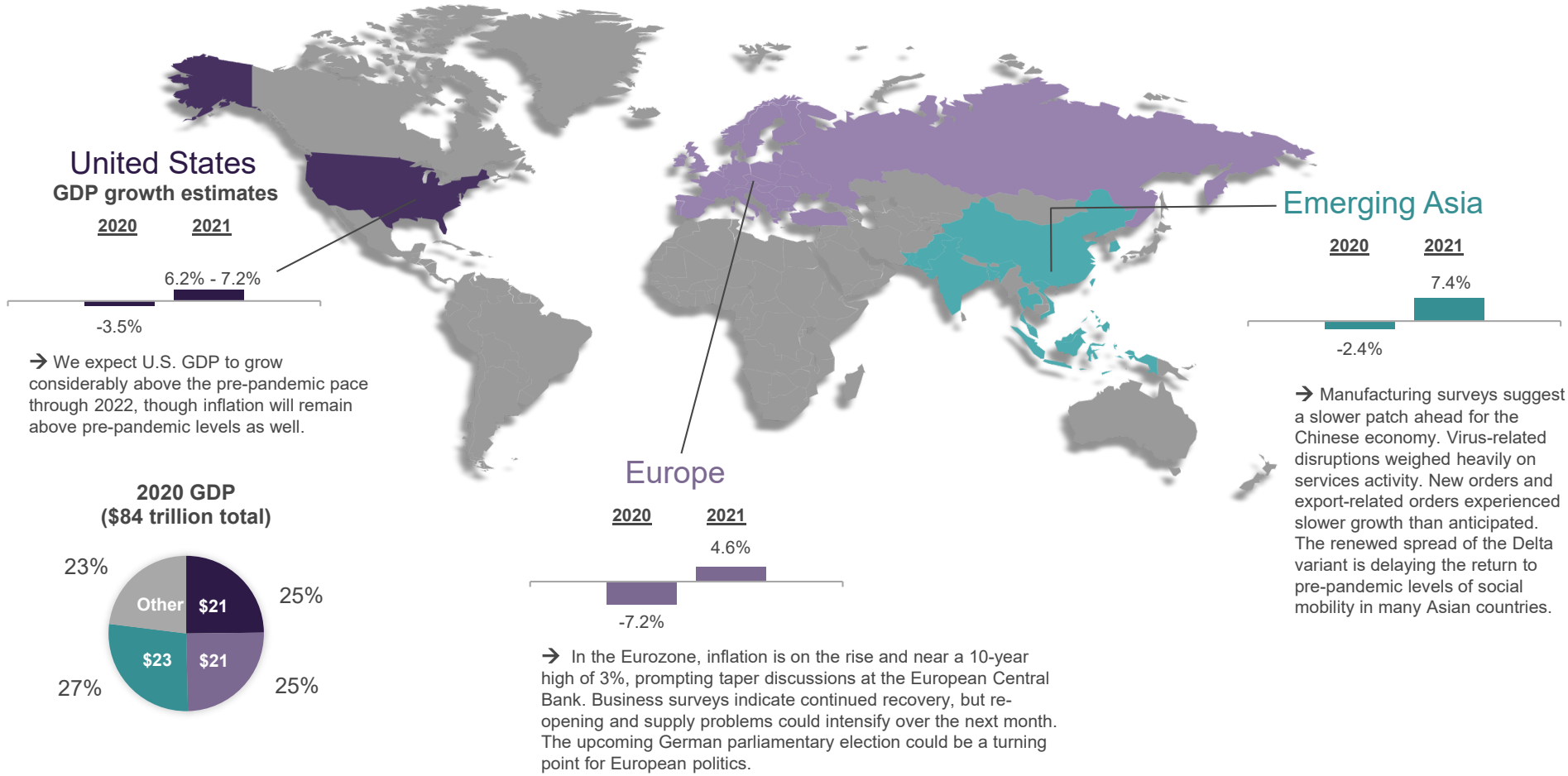
Major global economic regions



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

Europe includes developed countries and economies considered to be "emerging," such as Russia, Turkey and Ukraine.

Geopolitical cards of the month

In the wake of the turbulent exit from Afghanistan, Europe is vulnerable to another looming refugee crisis. Iran and Turkey could play a key role in limiting refugees passing through their countries. In Afghanistan, China could try to fill the void left by the U.S., but is prioritizing using the recent events against Taiwan.

IAG's current tactical recommendation

- Overweight
- Neutral
- Underweight
- Not Investable

IRAN

With Afghanistan falling apart, a stable Iran becomes even more critical, especially for European countries. Iranians could limit the Afghan refugees passing through Iran en route to European destinations.

CHINA

One man's loss is another man's treasure. When embassies of western countries were emptied in Kabul, the Chinese embassy reportedly functioned normally.

EUROPE

Another refugee crisis in Europe could boost the support for right-wing political parties that are usually against the idea of a united Europe.

AFGHANISTAN

The Taliban's takeover of the country created a political vacuum for the population of 38 million. Another refugee crisis could involve close to 7-8 million people.

TURKEY

After accepting 4 million Syrian refugees, the Turkish government and society has no appetite to accept any more refugees. This time, more refugees could reach Europe.

TAIWAN

China is using the recent events to scare Taiwan. The U.S. has been an ally to Taiwan, and the Chinese are trying to draw similarities where the U.S. support of Taiwan may not be what it seems.

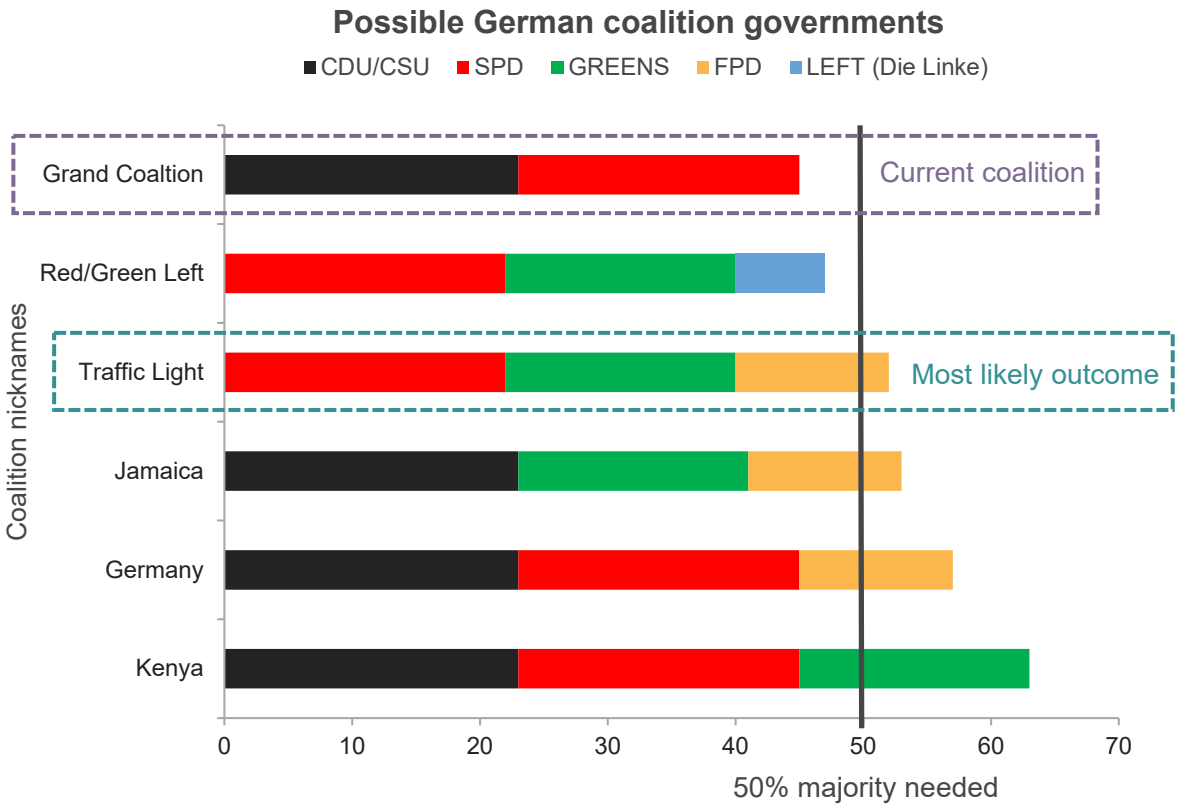
Data Source: Truist IAG

The German parliamentary election could be a turning point for Germany and Europe

The Christian Democrats (CDU) have governed Germany for 50 of the past 70 years, with Chancellor Angela Merkel serving as its leader for almost two decades. Her tenure is almost at an end since she decided not to run for the upcoming election on September 26, 2021.

Recent polls suggest the Social Democrats (SPD) could finish as the majority party, and they have many options in forming a coalition. On the other hand, there could be a significant turning point for Germany if the Green party takes the lead and forms a coalition government.

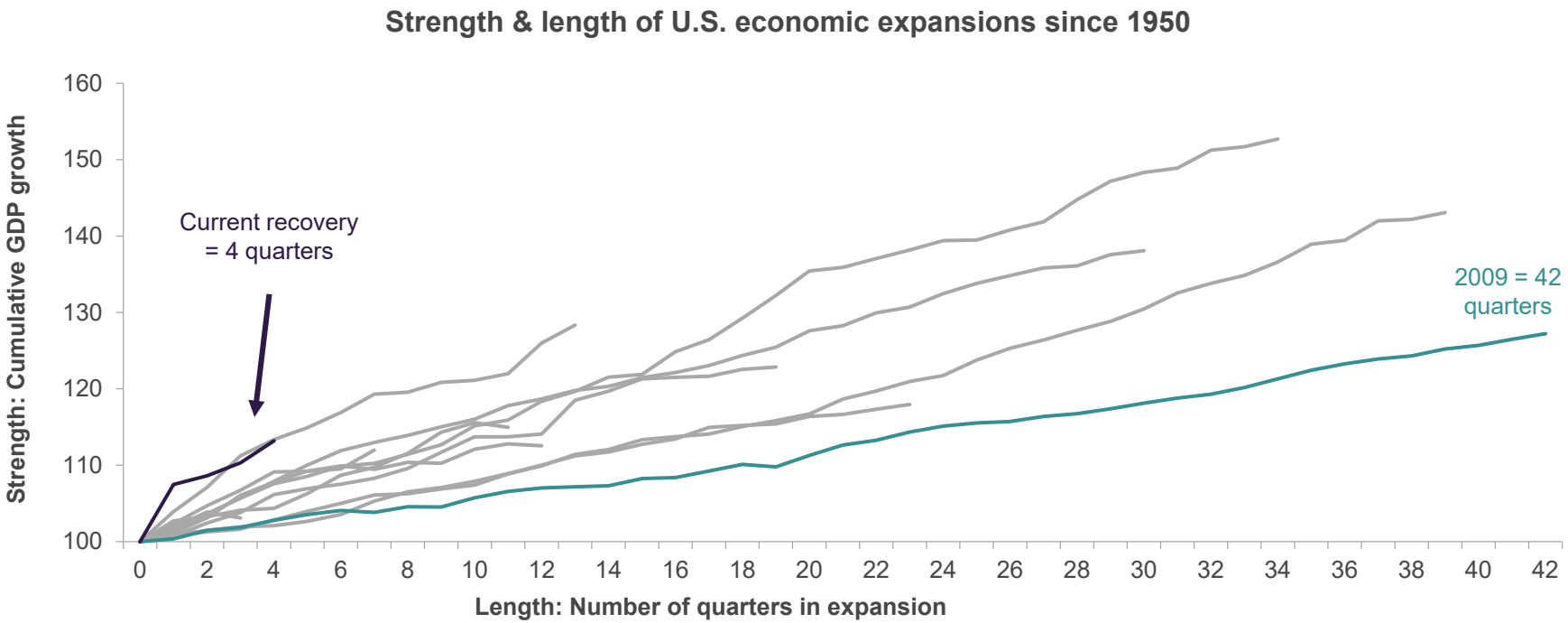
The worst outcome for Germany and Europe is a hung parliament or, in other words, a political stalemate. Without Angela Merkel's political craftsmanship, the risk of a hung parliament, leading to another election cycle, is real, and that risk is not priced into European markets.



Data Source: Truist IAG, Wahlrecht.de (Average of polls from: Allensbach, Kantar, Forsa, Forsch'gr Wahlen, GMS, Infratest dimap, INSA, Yougov)

U.S. economic recovery is still relatively early compared to past expansions

The pandemic recession lasted just two months, the shortest U.S. contraction on record. The current recovery just finished its fourth quarter, with second quarter growth at 6.5% on an annualized basis. The average expansion since 1950 has lasted 22 quarters, though the 2009 to 2019 expansion endured for 42 quarters.

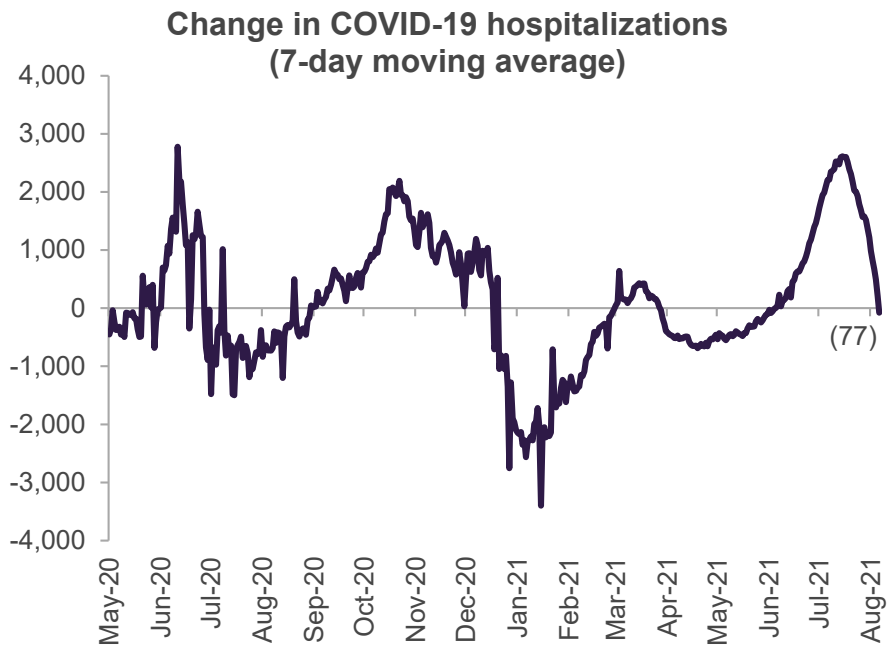


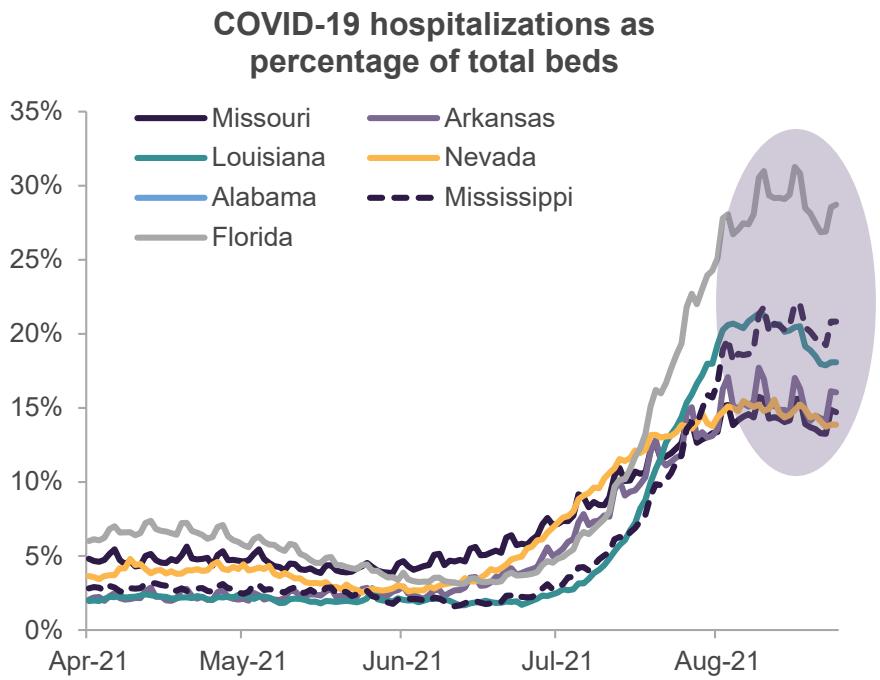
Data Source: Truist IAG, Haver, Bureau of Economic Analysis. Data through 2Q2021.

Past performance does not guarantee future results.

More signs that the Delta variant is peaking in the U.S.

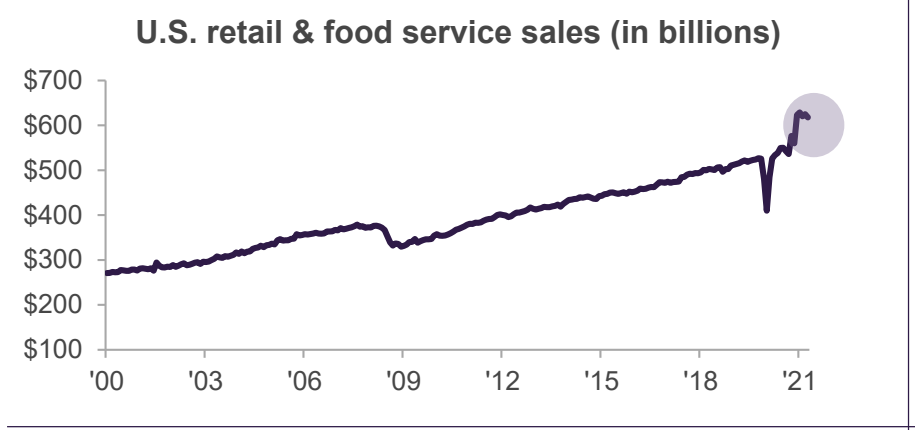
The rate of COVID-19 hospitalizations nationally for the past seven days has crested. Similarly, the state-level percentage of COVID-19 hospitalizations has stabilized in all of the hotspot states and appears to have peaked in Louisiana.

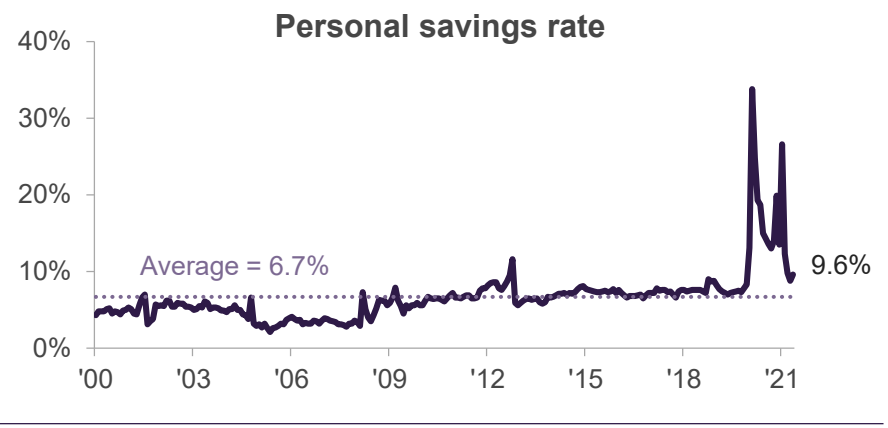


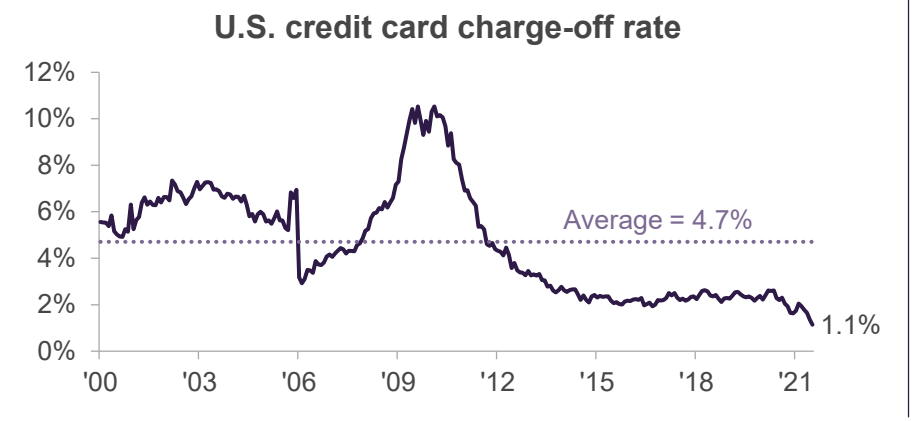


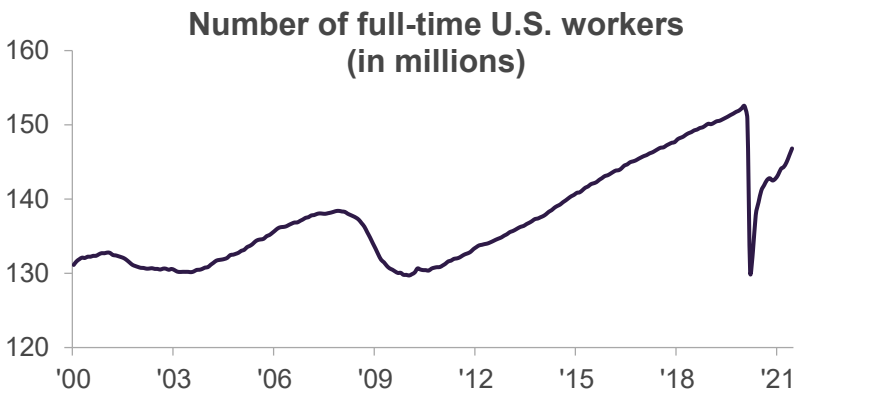
Data Source: Truist IAG, Bloomberg, U.S. Department of Health & Human Services, data through August 31, 2021. 7-day moving average (DMA).

Consumers – over 2/3rds of the U.S. economy – are in good shape









Data Source: Truist IAG, Bloomberg, Haver

Current environment is very different than during 2013's taper tantrum

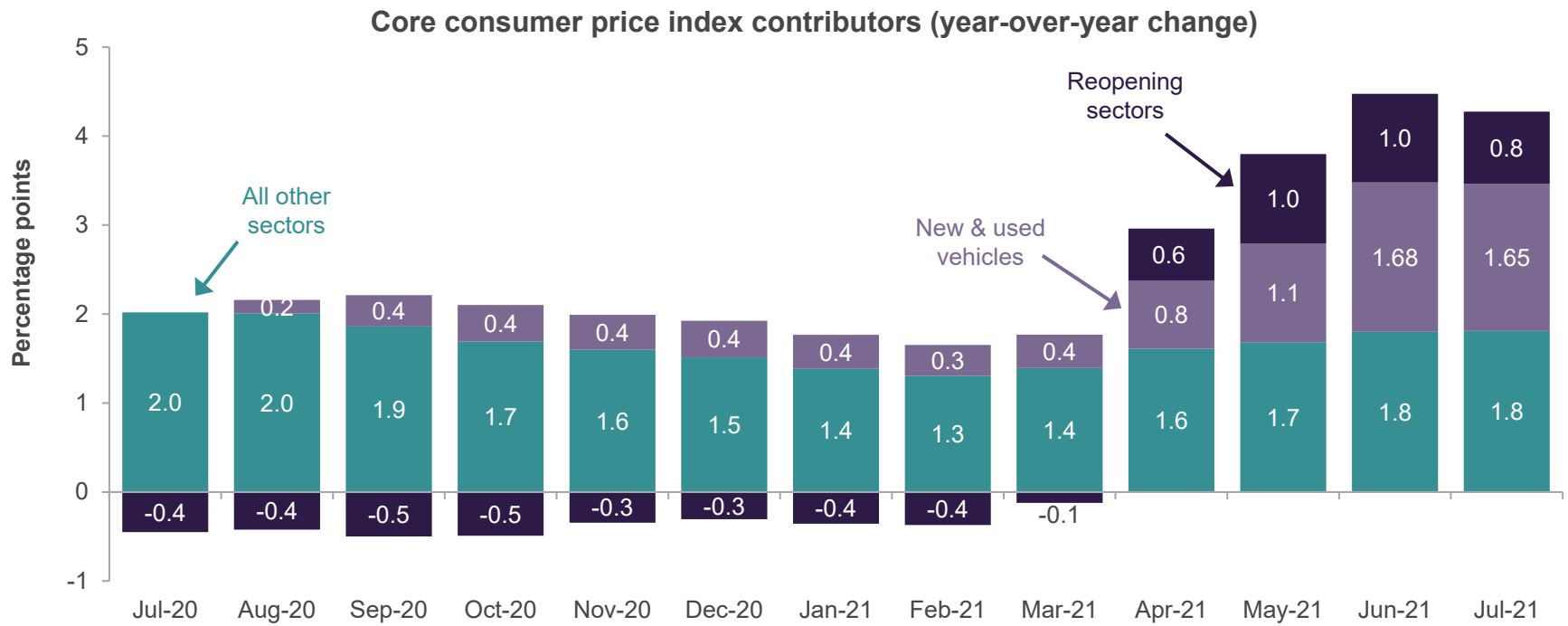
Nearly every economic metric is dramatically improved both since the 2020 COVID-recession and relative to 2013.

Indicator	May 2013	August 2021
GDP growth (annualized)	2Q13: 0.6% ✗	2Q21: 6.5% ✓
Core inflation (year-over-year change)	1.7% ✗	4.3% ✓
New home sales (annualized)	428,000 ✗	708,000 ✓
Existing home sales (annualized)	4.55 million ✗	5.99 million ✓
Unemployment rate	7.5% ✗	5.4% ✓
10-year U.S. Treasury yield	2.1% ✗	1.3% ✓
Asset purchases per month	$85B ✗	$120B ✓

Data Source: Truist IAG, Bloomberg, Bureau of Labor Statistics, Bureau of Economic Analysis; data through August 31, 2021.

Transitory factors beginning to fade, but inflation likely stays elevated

Two of the biggest contributors to the recent jump in inflation have been vehicles and the reopening sectors, such as airlines, rental cars, recreational goods and services, and apparel. Several of these factors are already starting to fade, which should continue as the economy normalizes (i.e., production and supply chains recover, consumer spending shifts back towards services, etc.). Meanwhile, shelter, which was softer in 2020, is firming as home prices and rents recover. Ultimately, we anticipate inflation will remain somewhat higher relative to pre-pandemic levels.



Data Source: Truist IAG, Haver, Bureau of Labor Statistics; data through July 2021. Core consumer price index excludes food and energy. Vehicles includes new vehicles, used cars and trucks. Shelter includes owners' equivalent rent of residences, rent of primary residence, and lodging away from home. Reopening sectors includes transportation services, recreation services, recreation commodities, and apparel. Other includes all other components. Total may vary due to rounding.

Stocks' steady ascent continued, rising for the seventh straight month

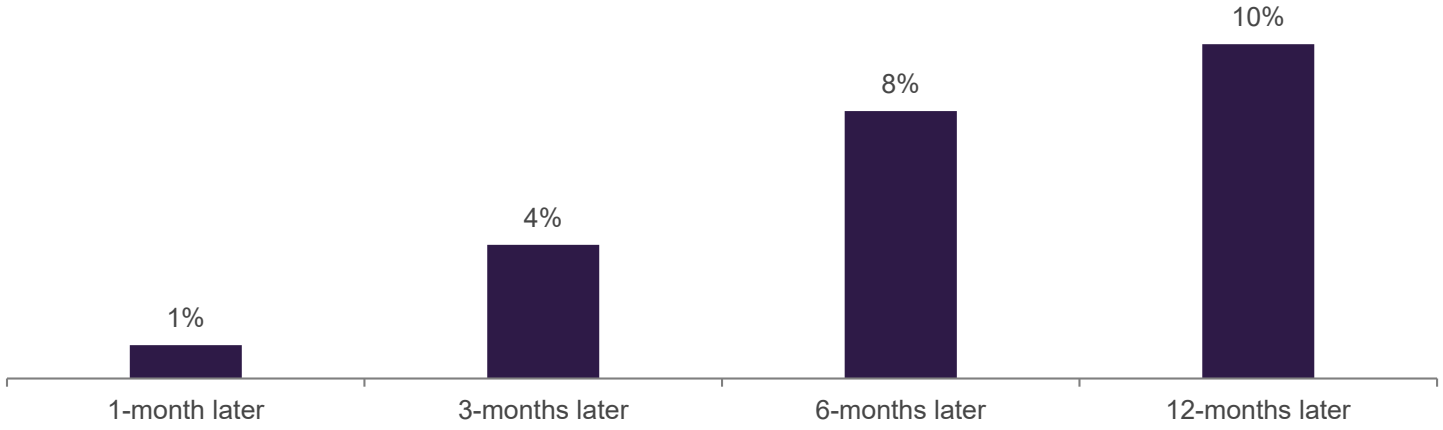
Data Source Truist IAG, FactSet

Past performance does not guarantee future results.

Historical S&P 500 performance after seven straight positive months

The S&P 500 posted positive gains for the seventh-straight month in August. Following past instances, stocks rose over the next six months 13 out of 14 times and averaged a 12-month gain of 10%.

S&P 500 price returns after seven-straight positive months (since 1950)



	1-month later	3-months later	6-months later	12-months later
% periods positive	64%	86%	93%	79%

Data Source Truist IAG, FactSet

Past performance does not guarantee future results.

Stocks tend to add to gains by year end when posting strong returns through August, though pullbacks along the way are normal

Since 1950, there have been 14 years where the market has been up more than 15% through August.

Stocks went on to add another 4% by year end, on average, and climbed in 12 of the 14 instances, though periodic pullbacks along the way were normal. (1987 was the significant negative outlier.)

S&P 500 performance after 15%-plus gains through August

Date	YTD gains through August	Rest of year gains	Maximum decline below the August 31 close through year end*
1954	20%	21%	0%
1955	20%	5%	-6%
1958	19%	16%	0%
1961	17%	5%	-3%
1967	17%	3%	-3%
1975	27%	4%	-6%
1983	17%	0%	-1%
1986	20%	-4%	-9%
1987	36%	-25%	-32%
1989	27%	1%	-5%
1991	20%	5%	-5%
1995	22%	10%	0%
1997	21%	8%	-2%
2019	17%	10%	-1%
2021	20%**	?	?
Average	21%	4%	-5%
Median	20%	5%	-3%

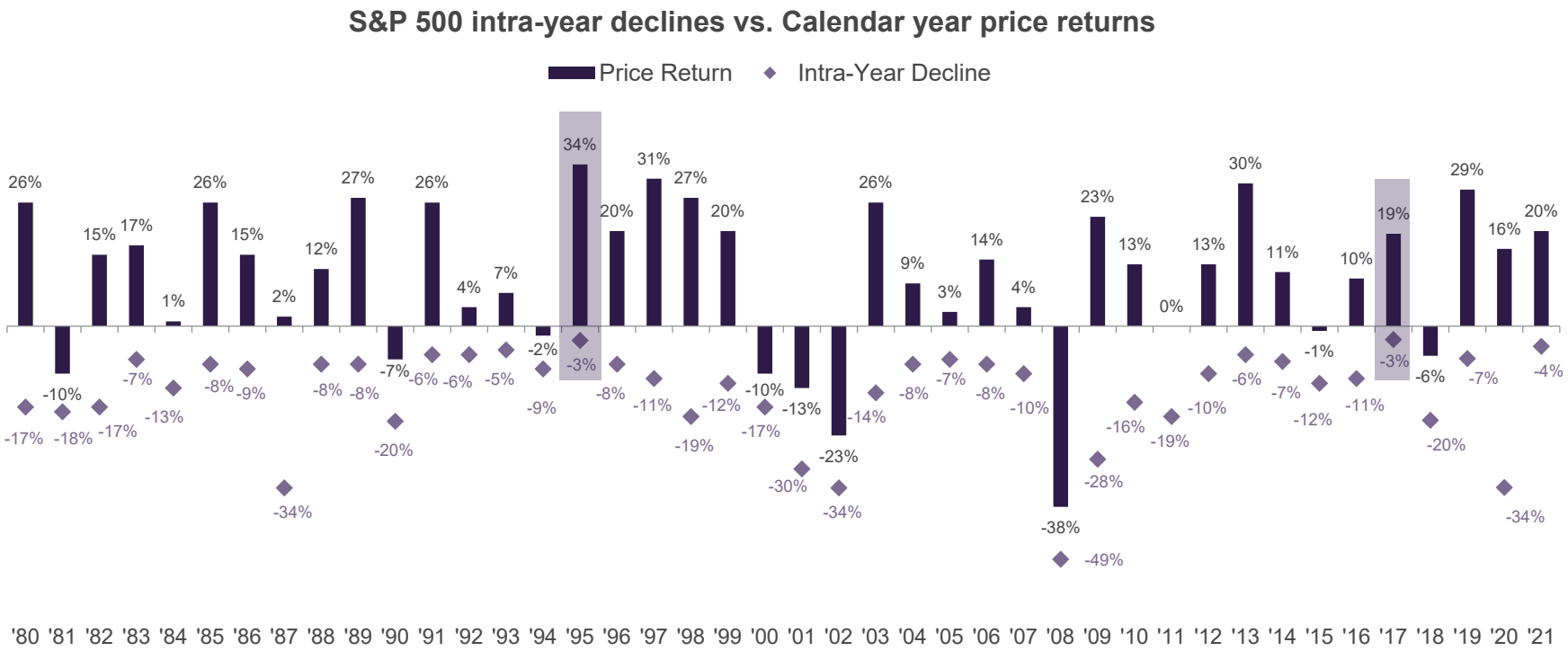
Data Source: Truist IAG, FactSet. Past performance does not guarantee future results

*Shows the maximum amount the S&P 500 went below the August month-end close during the remainder of the year; 0% indicates stocks did not breach the 8/31 close the rest of the year

**2021 data through 8/31/2021

Only two years since 1980 did not see a 5%-plus intra-year pullback

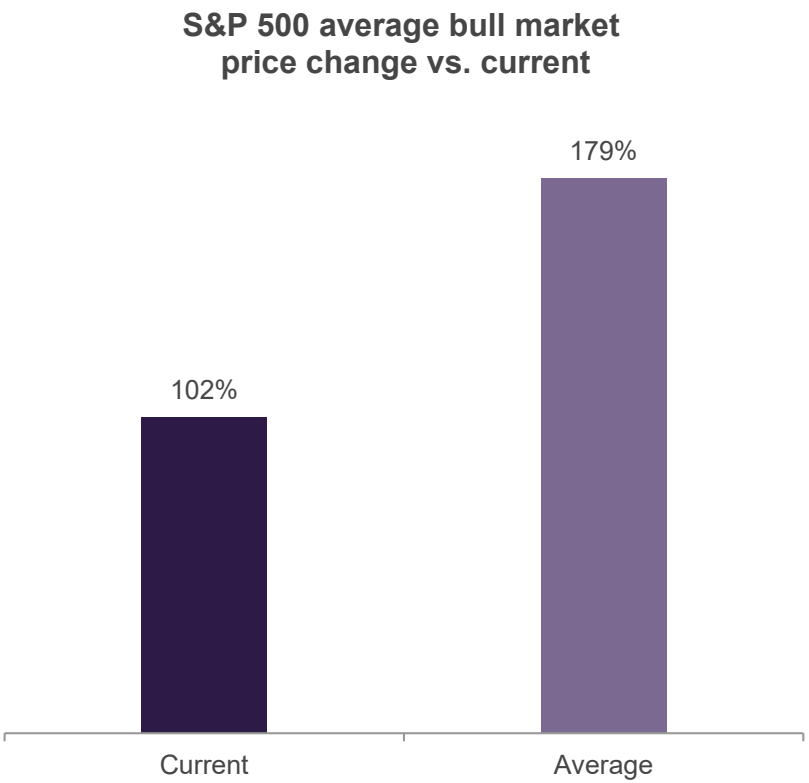
So far, the deepest pullback witnessed in 2021 has been only about 4%. The only two years that did not see at least a 5% pullback were 1995 and 2017. Thus, it would be normal to see a pullback before year end. However, periodic setbacks are the admission price to the stock market, and our view is investors are generally better served to focus on the primary market trend, which our work suggests is higher over the next 12 months.

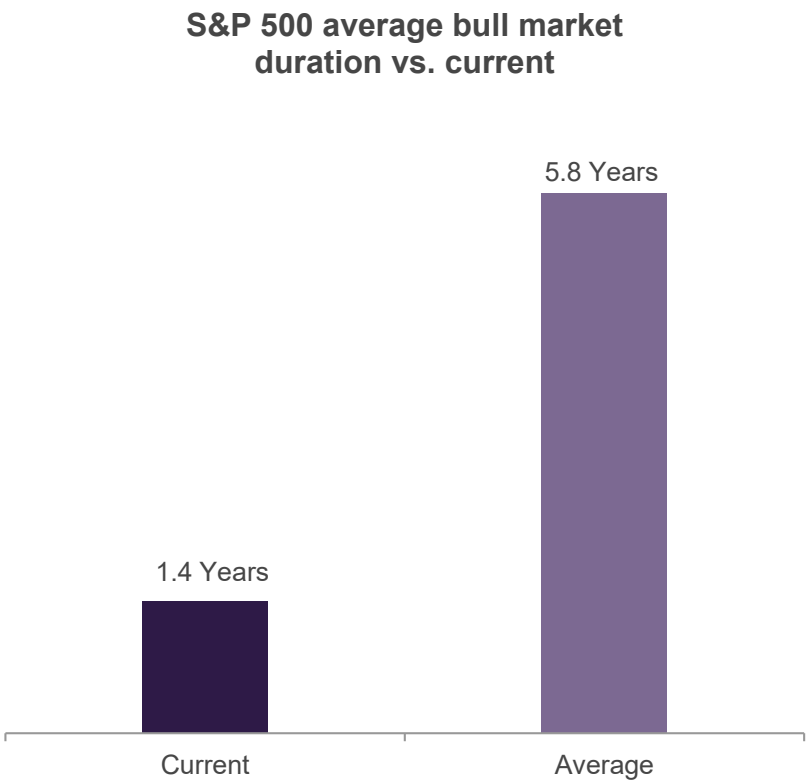


Past performance does not guarantee future results. 2021 return and drawdown is year to date as of 8/31/21.

Data Source: Truist IAG, FactSet

Bull markets tend to be front-end loaded, but history suggests upside potential remains, albeit at a moderating pace





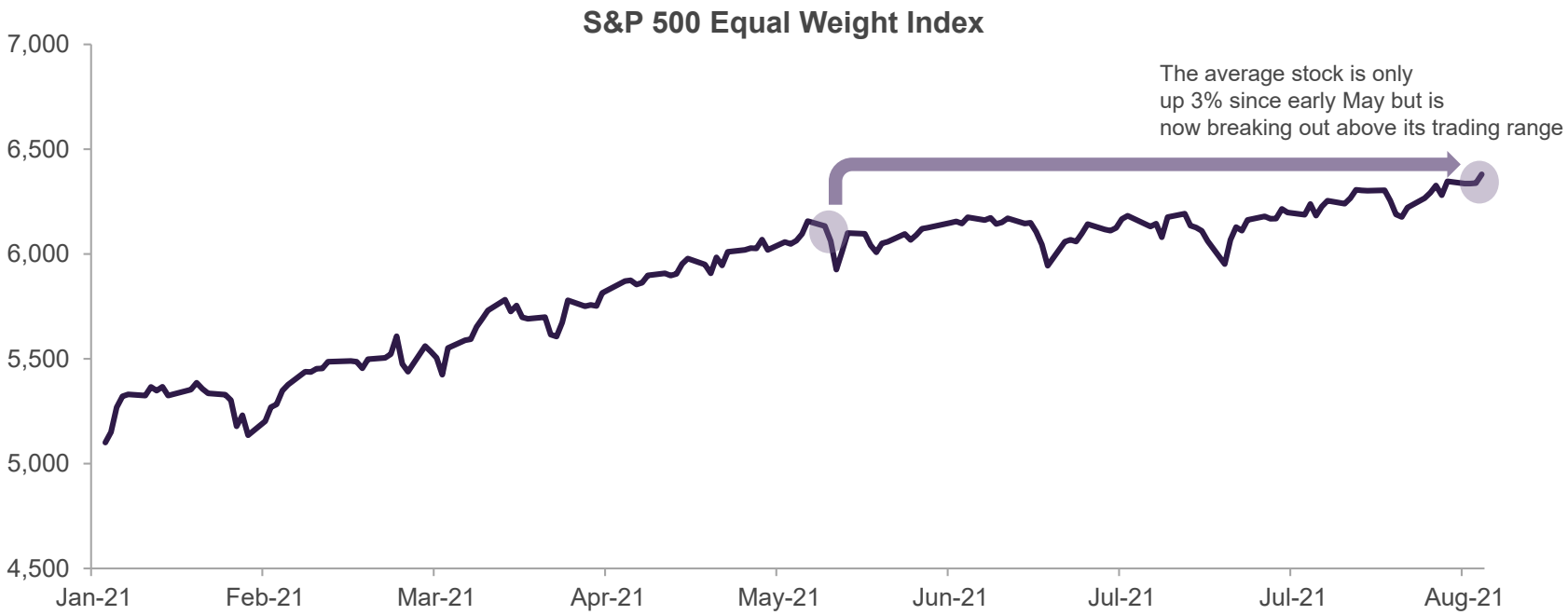
Current through 8/31/21

Data Source: Truist IAG, FactSet

Past performance does not guarantee future results.

The S&P 500 Equal Weight Index, a proxy for the average stock, is breaking out to the upside of its trading range after moving sideways since May

The S&P 500 Equal Weight Index, which assigns each stock in the index approximately the same weighting, is not extended. In fact, it's up only 3% since early May. This speaks to rolling sector corrections that have been ongoing under the market's surface. The traditional S&P 500 over the same period is up more than 7%, aided by a large weighting to mega cap technology stocks. However, the equal-weighted index is now breaking out above its multi-month trading range, and we see further upside potential.



Data Source Truist IAG, FactSet

Past performance does not guarantee future results.

S&P 500 – Entire YTD price gains driven by earnings; P/E slightly down

One of our key calls coming into the year was that earnings were underappreciated and had upside.

Accordingly, we have seen significant upward earnings revisions this year as the economy recovers. Earnings have been the entire driver of market gains this year.

YTD price change = +20.4%

YTD P/E change = -5.4%

YTD earnings estimate change = +27.5%

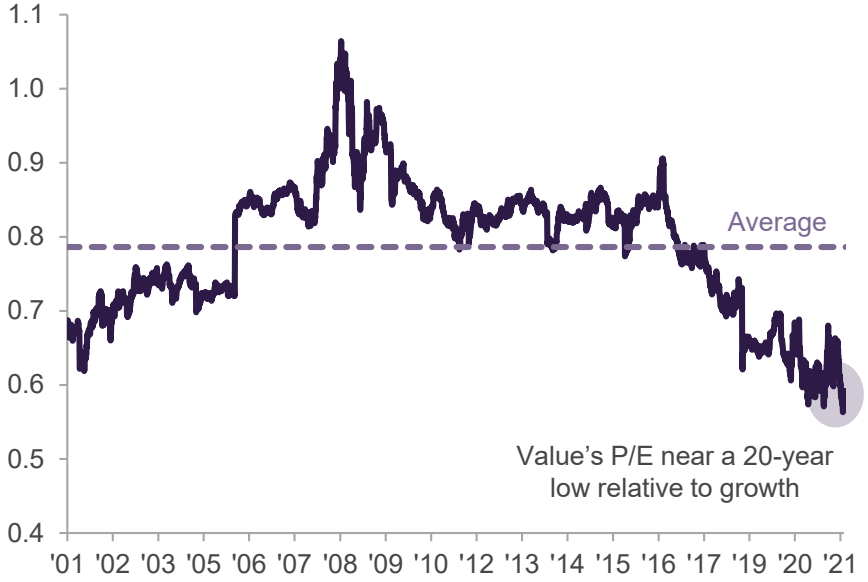
Data Source: Truist IAG, FactSet

Past performance does not guarantee future results.

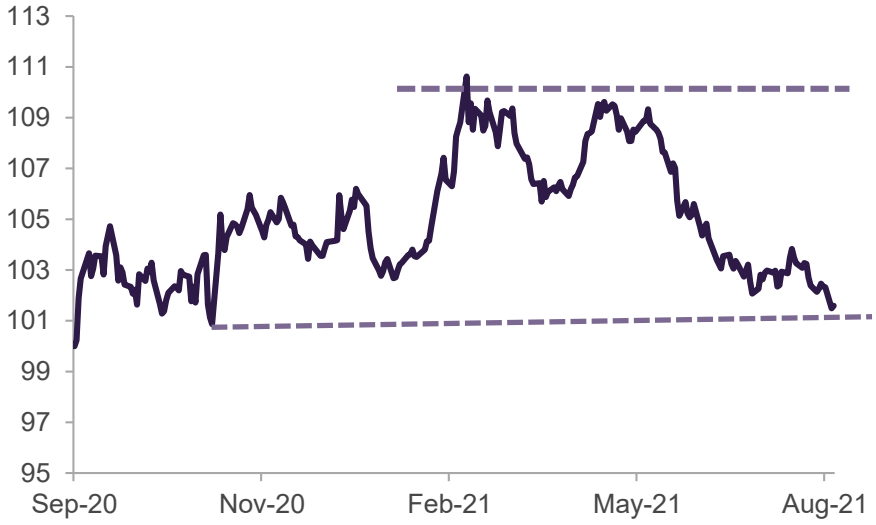
Large cap value – Valuations remain very attractive, though relative price trends have weakened

Our outlook for above-trend economic growth and a rebound in interest rates should support the value style, and we retain a value tilt. That said, weakening relative price trends and near-term uncertainties due to the Delta variant suggest a less aggressive tilt.

Large cap value forward P/E relative to large cap growth



Large cap value price relative to large cap growth

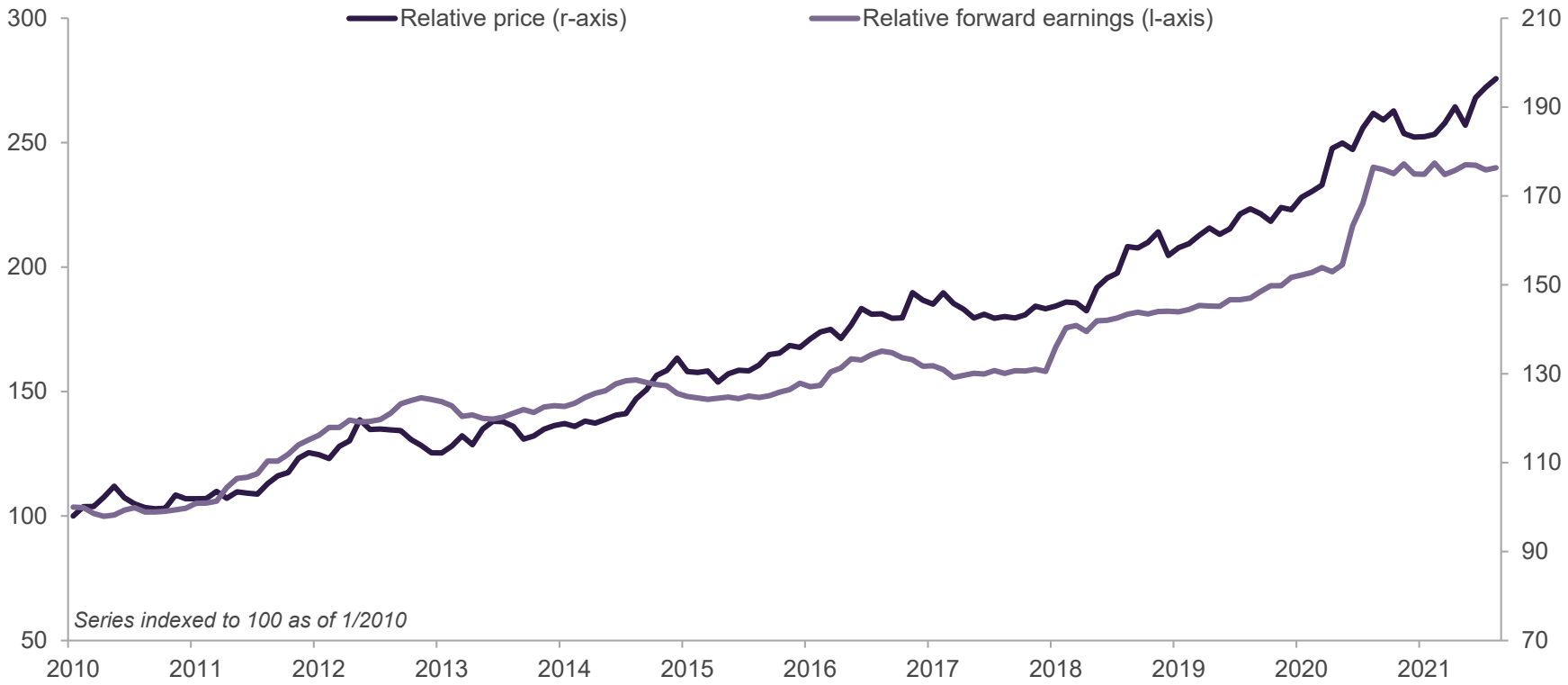


Data Source Truist IAG, FactSet

Sectors represented by S&P style indices

Past performance does not guarantee future results

Stronger earnings trends are the primary driver of U.S. price outperformance relative to the international developed markets over the past decade



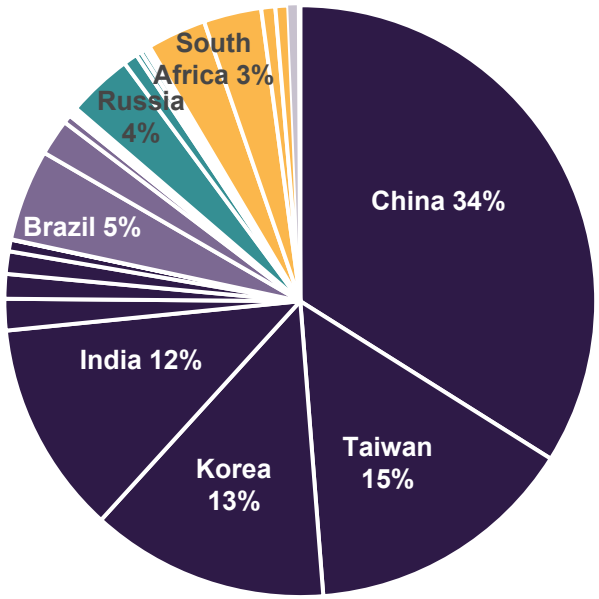
Data Source: Truist IAG, FactSet, MSCI

U.S. = MSCI USA; international developed markets = MSCI EAFE

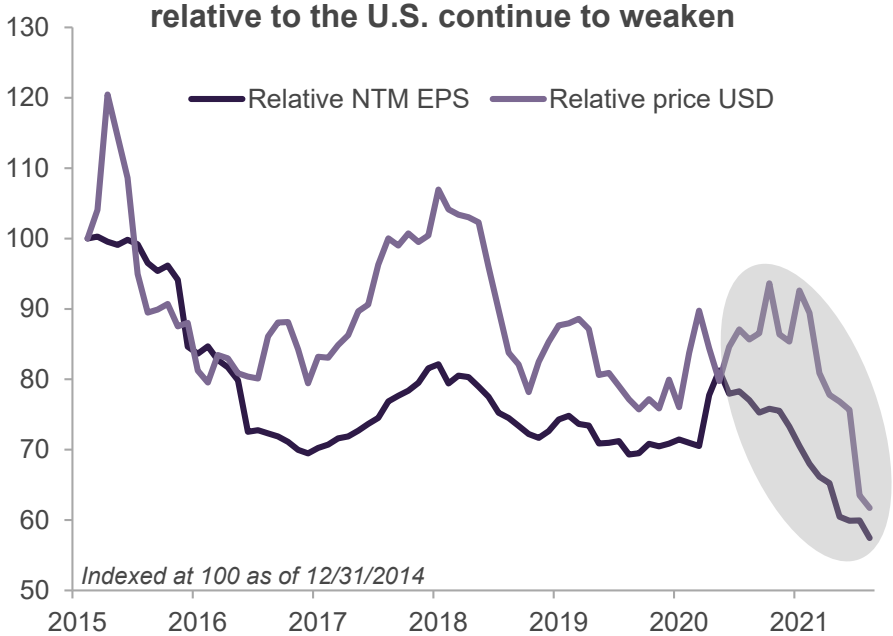
Stay underweight emerging markets given China is the largest weighting

Part of the reason we downgraded emerging markets in May was based on concerns around the crackdown on the technology titans by the Chinese government as well as underwhelming profit trends. Since then, our concerns have only heightened, and our view is this will likely lead to further earnings weakness. And, with China accounting for 34% of the EM index, events in China can significantly impact the overall asset class.

Countries in emerging markets universe



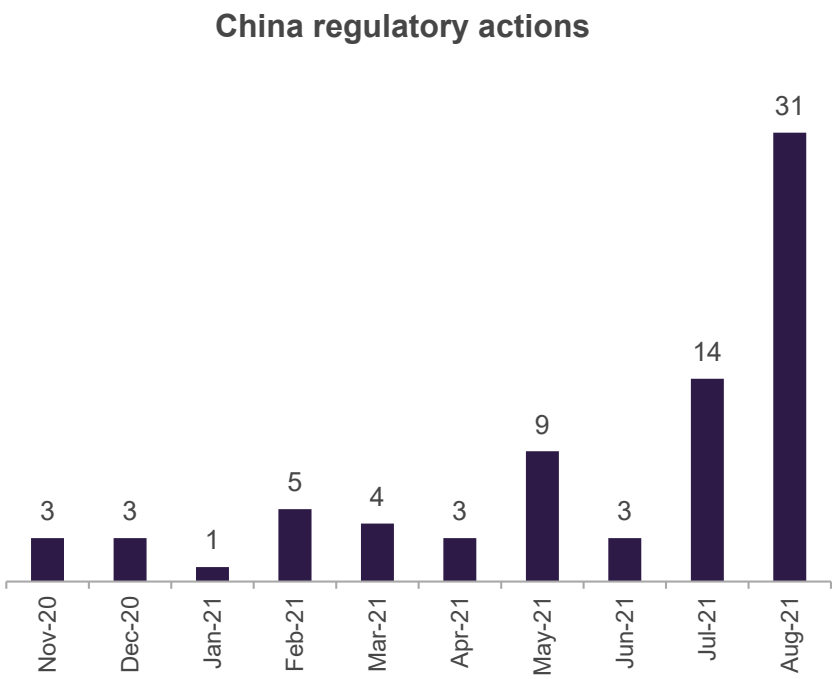
China's earnings and price trends relative to the U.S. continue to weaken

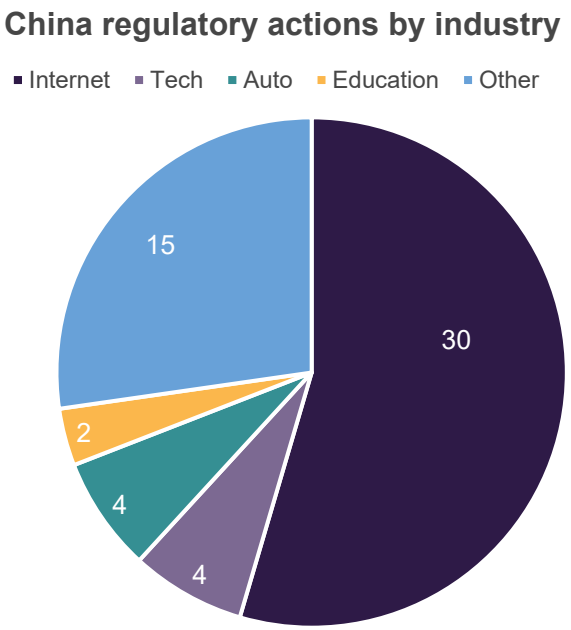


Data Source: Truist IAG, MSCI, FactSet. China = MSCI China, U.S. = MSCI USA

China's regulatory actions against companies are heating up

Part of the reason for our heightened concerns about the Chinese government's crackdown against companies is that it has become more frequent as well as wider in scope, and other industries are likely to be in the crosshairs.

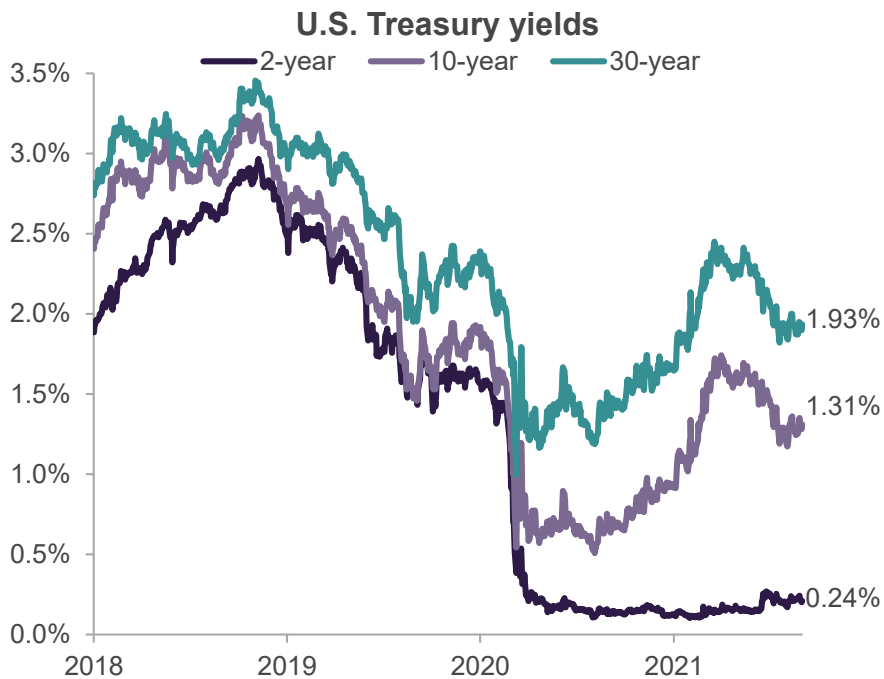


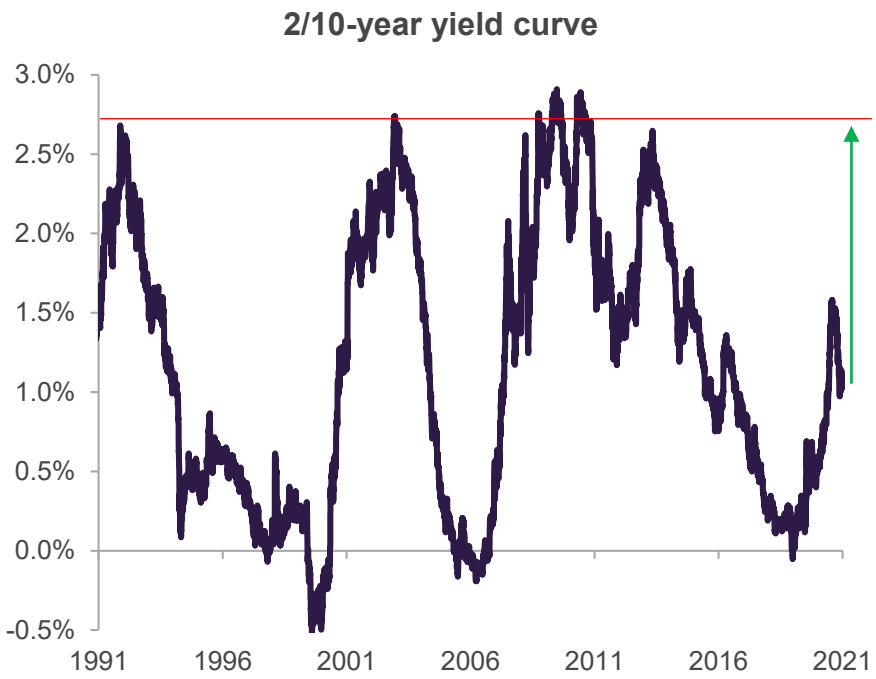


Source: Cornerstone Macro, Truist IAG

Yield curve steepened modestly; expect the trend to continue gradually

On a monthly basis, the 2/10-year U.S. Treasury curve steepened in August for the first time since March. Fed taper discussions, strong U.S employment trends, and elevated inflation readings helped inspire modestly higher U.S. yields. The current yield difference between 2- and 10-year U.S. Treasuries remains far below the peaks reached in previous rate cycles, supporting our view that yields should rise over the next year.





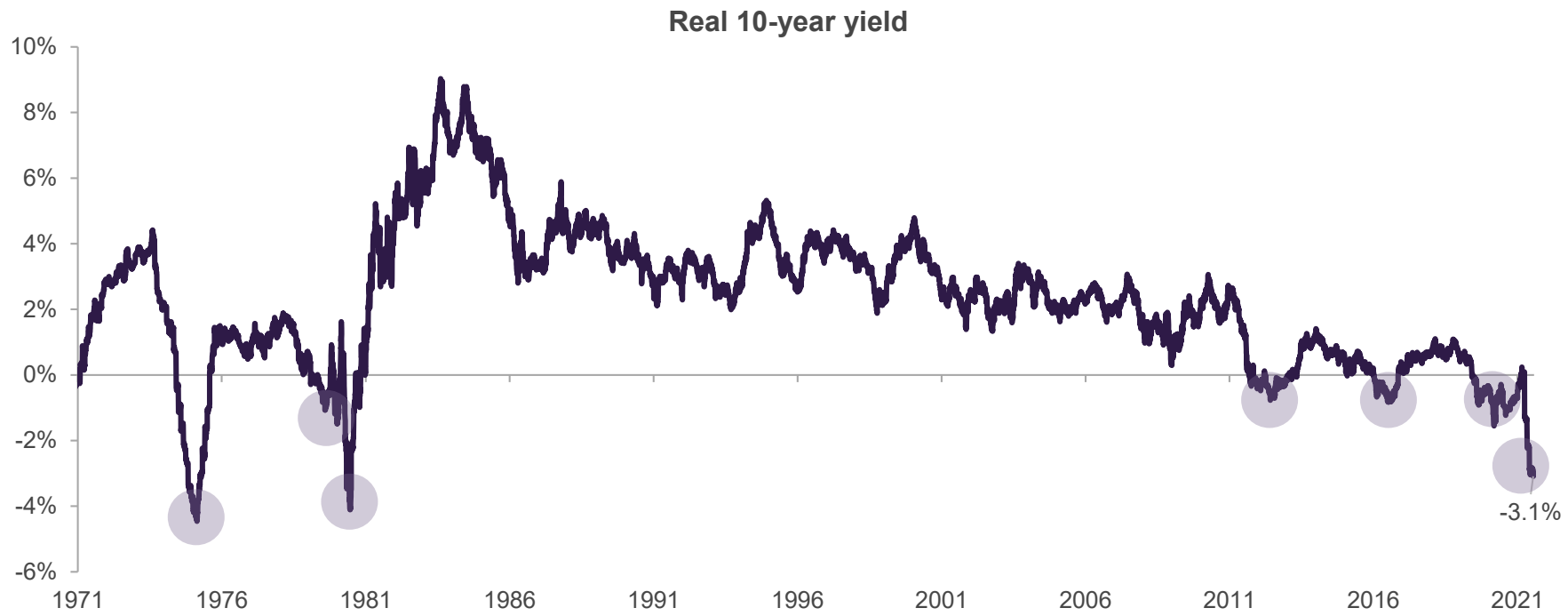
Data Source: Truist IAG, Bloomberg

Data as of 8/31/2021

Past performance does not guarantee future results.

Negative real yields tend to signal higher rates ahead

Over the past 50 years, real (or inflation-adjusted) 10-year yields bottomed in negative territory just six times – 1975, 1979, 1980, 2012, 2016, 2020, and today. In each instance, when real yields bottomed in negative territory, nominal U.S. Treasury yields tended to rise over the next 6-18 months. We expect real yields to ultimately rise from their deeply-negative levels through a combination of rising nominal yields and cooler inflation readings.



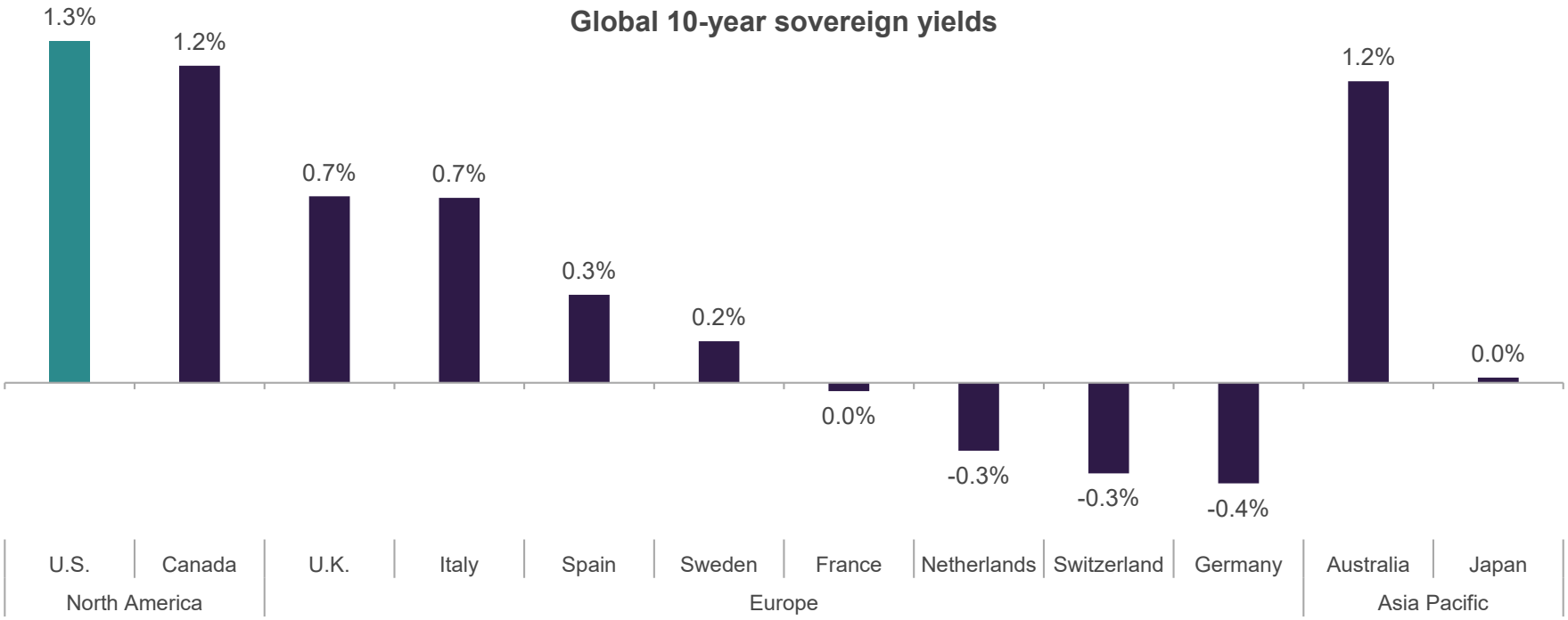
Data Source: Truist IAG, Bloomberg

Data as of 7/31/2021

Past performance does not guarantee future results.

Ultra-low foreign yields preserving relative value in U.S. fixed income

International yields remain very suppressed as a result of extreme monetary policy accommodation and the Delta variant's spread overseas. Foreign investors continue to look to the U.S. for more attractive yield opportunities. This dynamic creates a meaningful yield suppressant in the U.S. and hampers the yield curve's ability to reflect the strong domestic recovery via rising yields. As conditions improve among our international sovereign peers, the foreign sources of downward pressure on U.S. yields should ease.

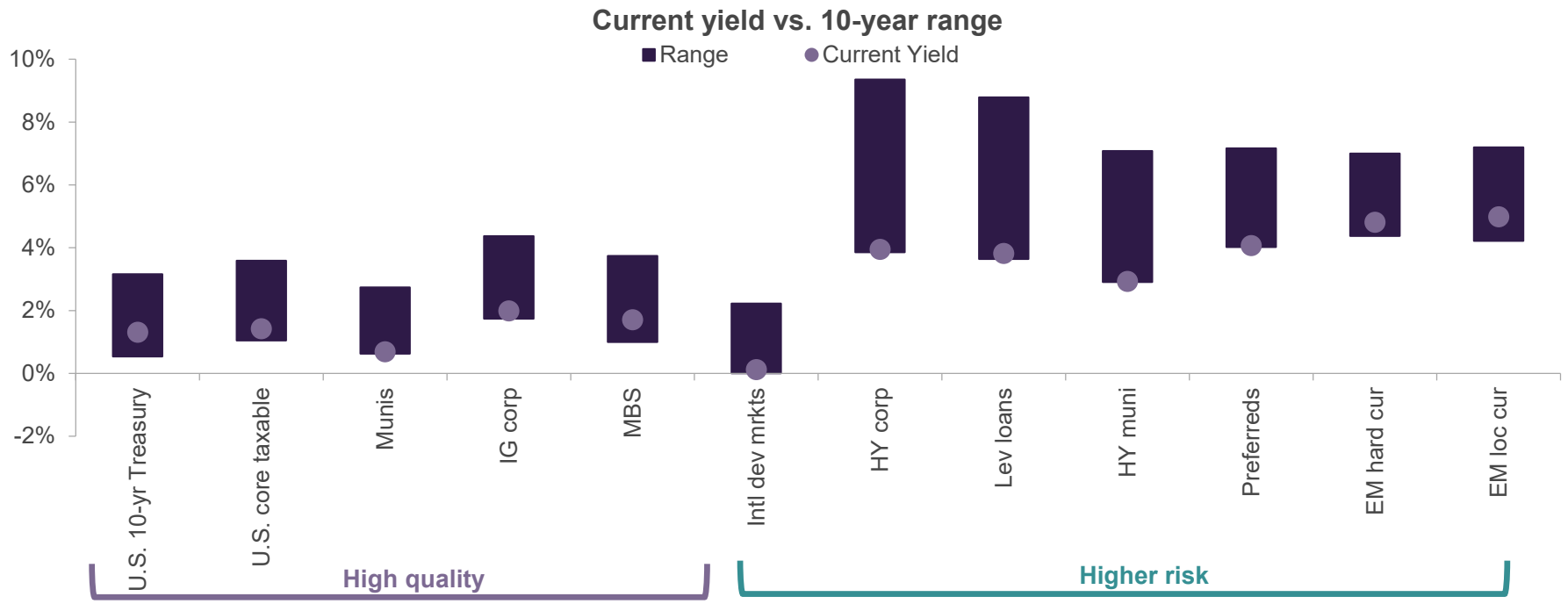


Data Source: Truist IAG, Bloomberg

Data as of 8/31/2021

Relative value in fixed income

Our constructive expectations for the economy continue to drive our preference for U.S. credit sectors, including leveraged loans and high yield corporate bonds where incremental yield opportunities exist. However, high quality fixed income remains an important ballast for portfolios. We still favor investment grade corporates in this space, and MBS have become more attractive given wider spreads.



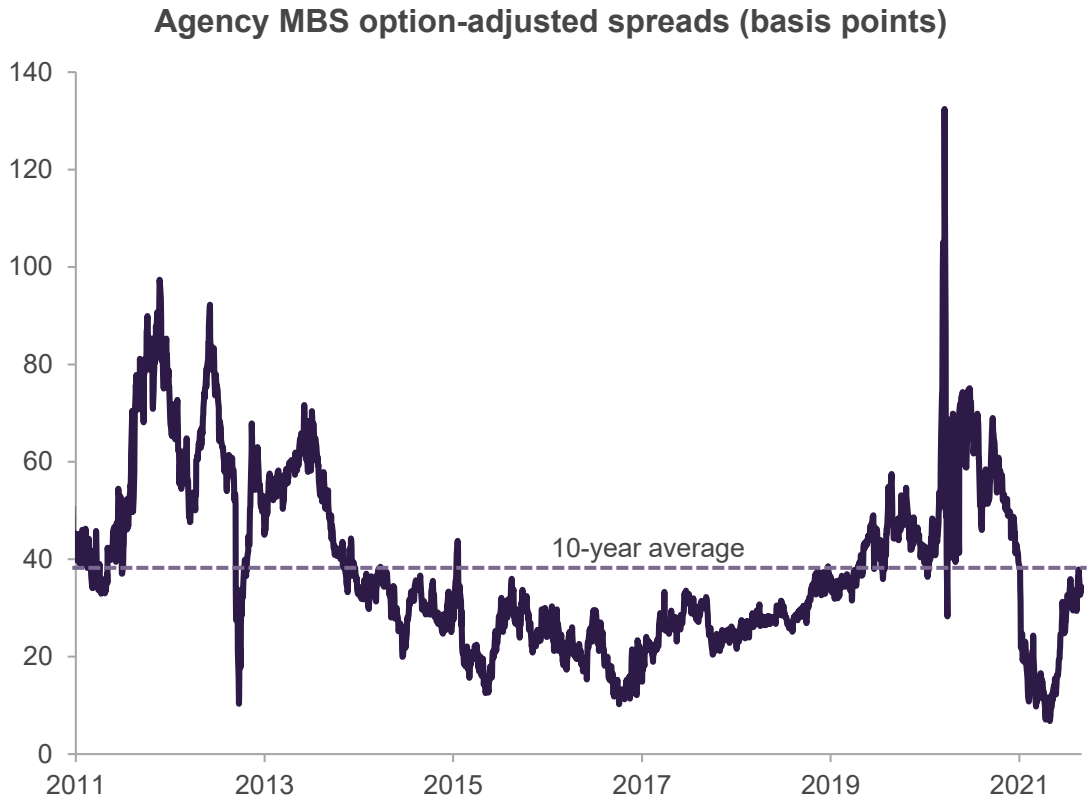
Data Source: Truist IAG, FactSet, yield to worst shown except for preferreds (yield to maturity)

U.S. 10-Yr Treasury = Bloomberg U.S. Treasury Bellwethers (10-Yr), U.S. Core Taxable = Bloomberg U.S. Aggregate, Municipals = Bloomberg Municipal Bond 1-15 Year, U.S. Corporates = Bloomberg U.S. Corporate IG, MBS = Bloomberg U.S. MBS, Intl Dev Mkts = ICE BofA Global Government ex U.S. (U.S.D hedged), HY Corp = ICE BofA U.S. High Yield, Lev Loans = S&P/LSTA U.S. Leveraged Loan 100 Index, HY Muni = Bloomberg Municipal High Yield, Preferreds = ICE BofA Fixed Rate Preferred, 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.

Fed taper discussions are creating more compelling agency MBS spreads

The Fed is still buying $40 billion in agency mortgage-backed securities (MBS) each month. The central bank's intervention pushed spreads relative to U.S. Treasuries to historic lows. With home prices soaring, the need for crisis-level MBS purchases is over.

As investors anticipate the Fed tapering agency MBS purchases, yields relative to U.S. Treasuries are approaching their highest levels of 2021. The sector's improved yield characteristics and lower sensitivity to rising rates are fostering a more compelling entry point for agency MBS.



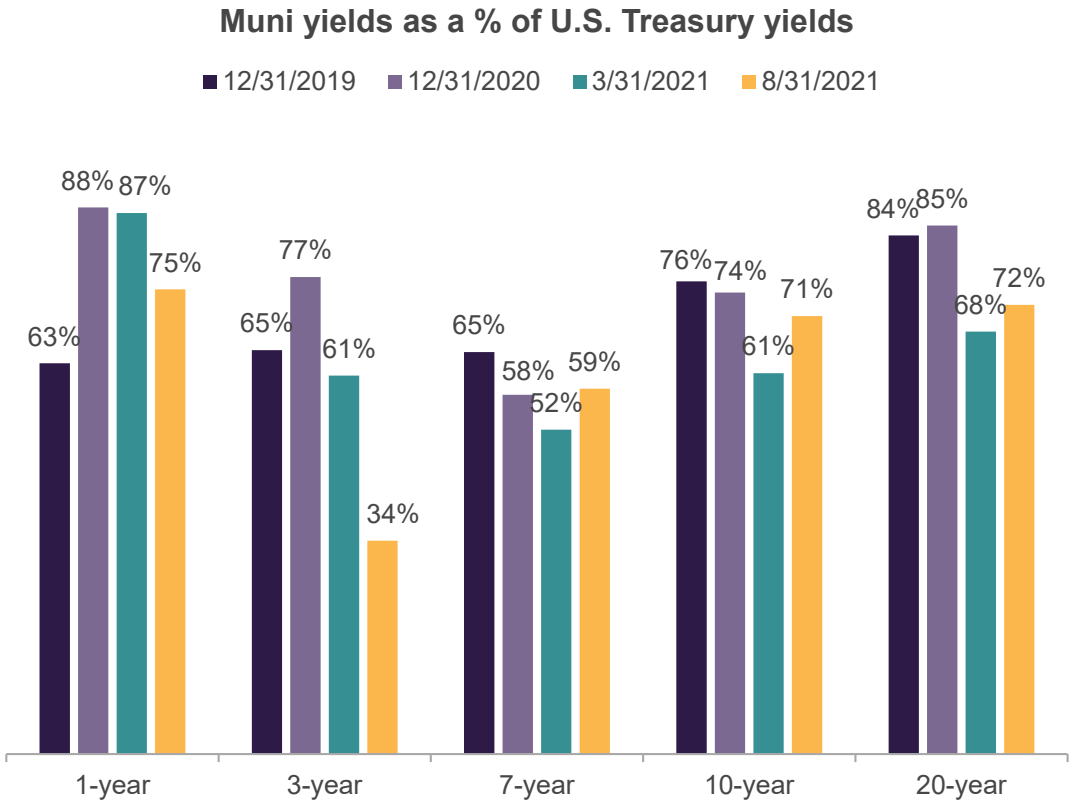
Data Source: Truist IAG, Bloomberg

Agency MBS = Bloomberg U.S. Mortgage Backed Securities (MBS) Index OAS

Active reinvestment period for munis will overwhelm new supply this month

The 2-5 year portion of the muni curve remains exceptionally rich compared to U.S. Treasury yields. Muni-to-U.S. Treasury ratios remain between 30-50%. Among investment grade issues, A-rated and BBB-rated munis currently offer a more compelling risk-reward. A severe supply/demand imbalance is poised to limit buying opportunities in the highest quality munis.

Those sectors most negatively impacted by the pandemic—transportation, sales tax, health care, and higher education revenues—offer better value opportunities albeit with greater credit risk. However, dispersion of federal aid to essential muni issuers has helped quell widespread default concerns.



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

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S&P 500 Index is comprised of 500 widely-held securities considered to be representative of the stock market in general.

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.

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

U.S. 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.

U.S. 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.

U.S. Small Cap Core Equity is represented by the S&P 600 Small Cap Index which is a measure of the performance of the small-cap segment of the U.S. equity universe

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 U.S. 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 S&P 500 Value Index which is a subset of stocks in the S&P 500 that have the properties of value stocks.

Growth is represented by the S&P 500 Growth Index which is a subset of stocks in the S&P 500 that have the properties of growth stocks.

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

U.S. Mortgage-Backed Securities are represented by the U.S. 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).

U.S. Investment Grade Corporate Bonds are represented by the Bloomberg U.S. Corporate Investment Grade Index which is an unmanaged index consisting of publicly issued U.S. 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.

The S&P U.S. REIT index measures the investable universe of publicly traded real estate investment trusts domiciled in the United States

U.S. 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, U.S. dollar denominated corporate bonds publicly issued in the U.S. 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 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.

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U.S. Core Taxable Bonds are represented by the Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. 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 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.

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

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

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

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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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