WELLS FARGO
Investment Institute

Economic and Market Strategy Update

March 2021

Investment and Insurance Products: ▸ NOT FDIC-Insured ▸ NO Bank Guarantee ▸ MAY Lose Value

Today’s agenda

Where are we in this economic cycle?

Where are we in this market?

Investment strategies to consider in portfolios

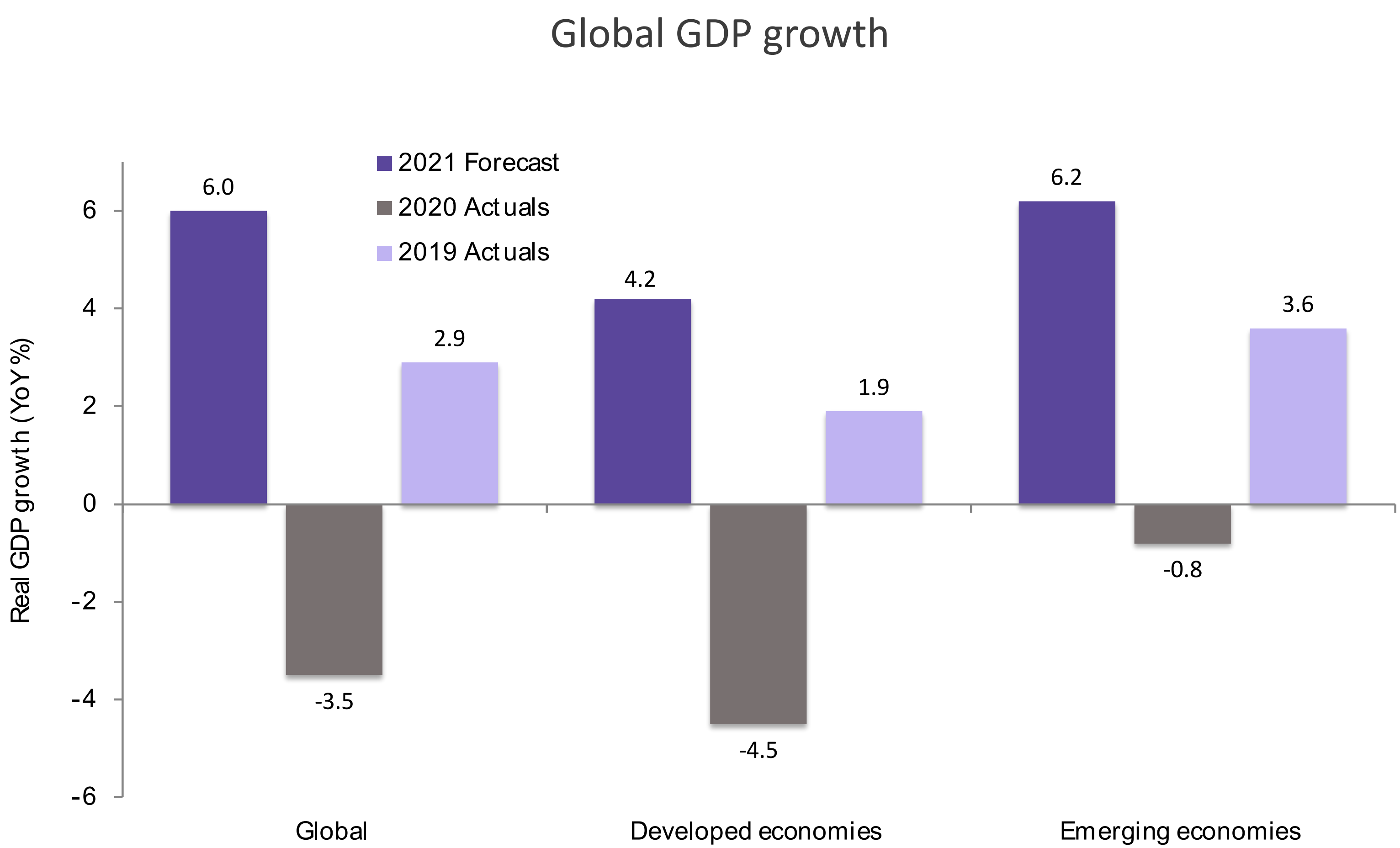
Economic outlook

	2021E	2020	2019
Global GDP growth[1]	6.0%	-3.5%	2.9%
U.S. GDP growth[1]	5.7%	-3.5%	2.2%
U.S. CPI[1]	2.5%	1.3%	1.8%
U.S. unemployment rate[2]	5.5%	6.8%	3.6%
U.S. Federal Funds rate	0.00-0.25%	0.25%	1.6%
10-Year U.S. Treasury	1.75-2.25%	0.91%	1.9%
30-Year U.S. Treasury	2.50-3.00%	1.64%	2.4%

Sources: Bloomberg, Bureau of Labor Statistics, Wells Fargo Investment Institute, February 28, 2021. 2021E as of March 15, 2021.
The year-end target for 2021 are forecasts by Wells Fargo Investment Institute as of March 15, 2021.
[1] Year-over-year % change.
[2] Fourth-quarter average.
GDP = Gross Domestic Product. CPI = Consumer Price Index. The CPI measures the price of a fixed basket of goods and services purchased by an average consumer.
Yields represent past performance and fluctuate with market conditions. **Past performance is no guarantee of future results.**
Forecasts and estimates are not guaranteed and based on certain assumptions and on views of market and economic conditions which are subject to change.

Global GDP outlook

We expect global GDP to recover in 2021



Sources: International Monetary Fund, Bloomberg, and Wells Fargo Investment Institute; December 31, 2019. 2019 is year-over-year % change (2019 versus 2018). The 2019 and 2020 actual are from Bloomberg and Wells Fargo Investment Institute as of March 15, 2021. 2021 are Wells Fargo Investment Institute forecasts as of March 15, 2021. GDP = Gross Domestic Product. YoY = year-over-year. Forecasts and estimates are not guaranteed and based on certain assumptions and on views of market and economic conditions which are subject to change.

Factors that affect the global economy

Global economic forces

TAILWINDS

- Aggressive monetary and fiscal stimulus
- Low interest rates
- “Purchasing power” boost from lower inflation
- “Pent-up” demand created by the lockdown
- Expanded coronavirus vaccinations accelerate the global economic reopening
- Increased savings and stock-market wealth

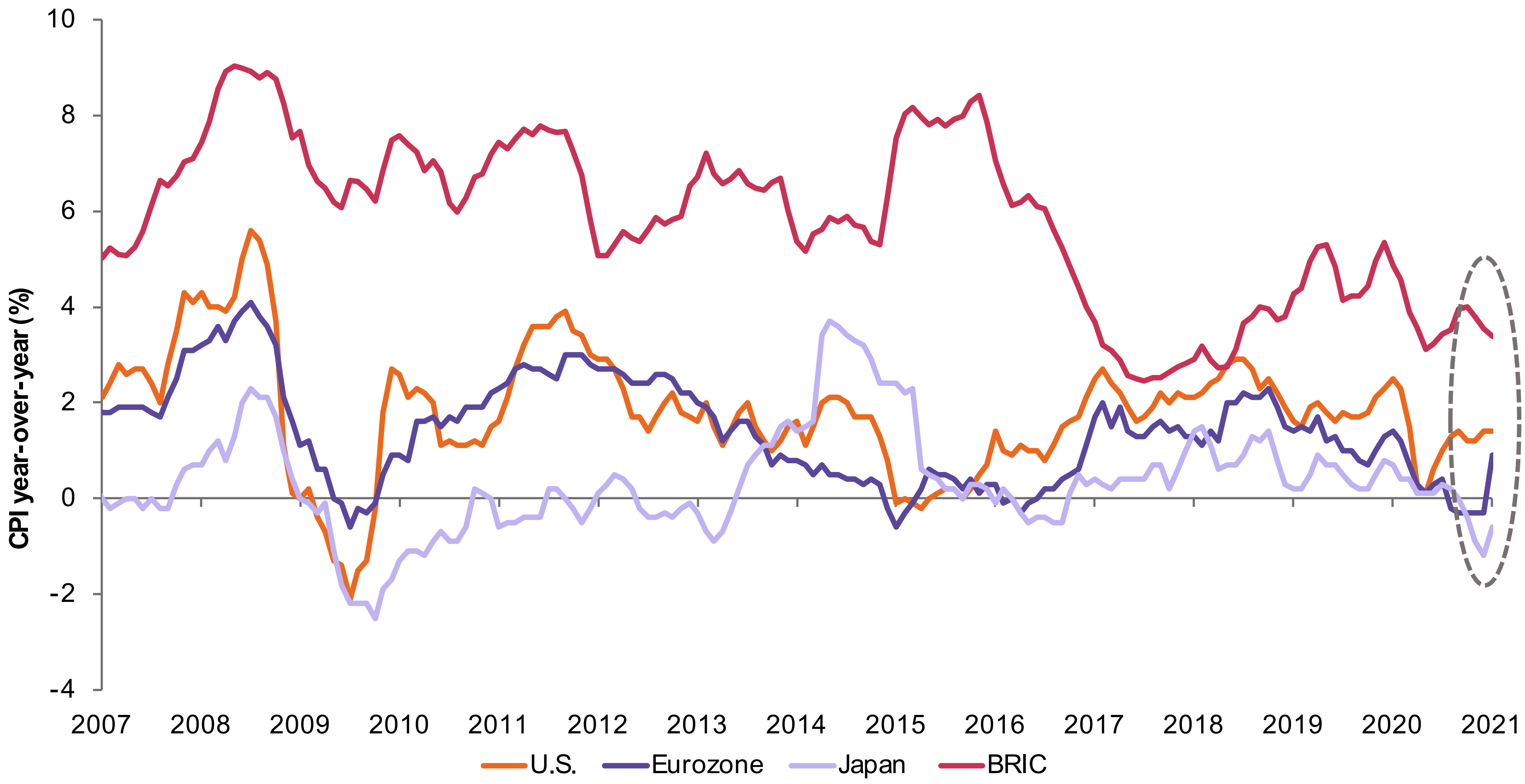
HEADWINDS

- Rise in coronavirus mutations
- Geopolitical risks, including the new administration’s relations with China and policies toward other global hot spots
- Lingering consumer caution amid pandemic concerns
- Higher inflation and interest rates in a more interest-sensitive economy and financial market
- Worsening credit quality as forbearance and other loan relief ends

Source: Wells Fargo Investment Institute; February 28, 2021. Subject to change.

Inflation makes a comeback in developed markets

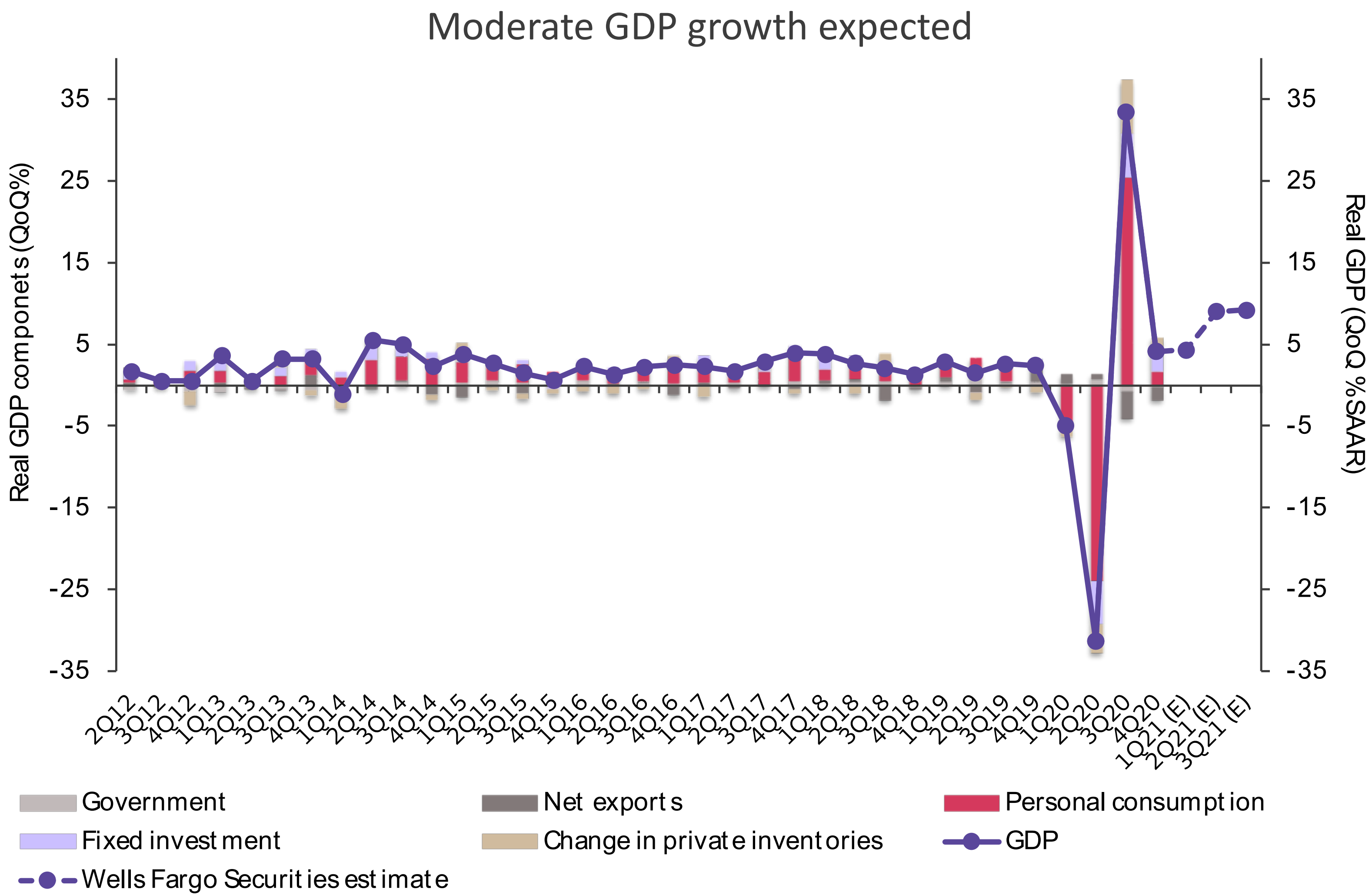
U.S. inflation could soon rise to pre-pandemic levels



Sources: Bloomberg and Wells Fargo Investment Institute; January 31, 2021. BRIC is an acronym for the economies of Brazil, Russia, India, and China. CPI = Consumer Price Index.

U.S. GDP outlook

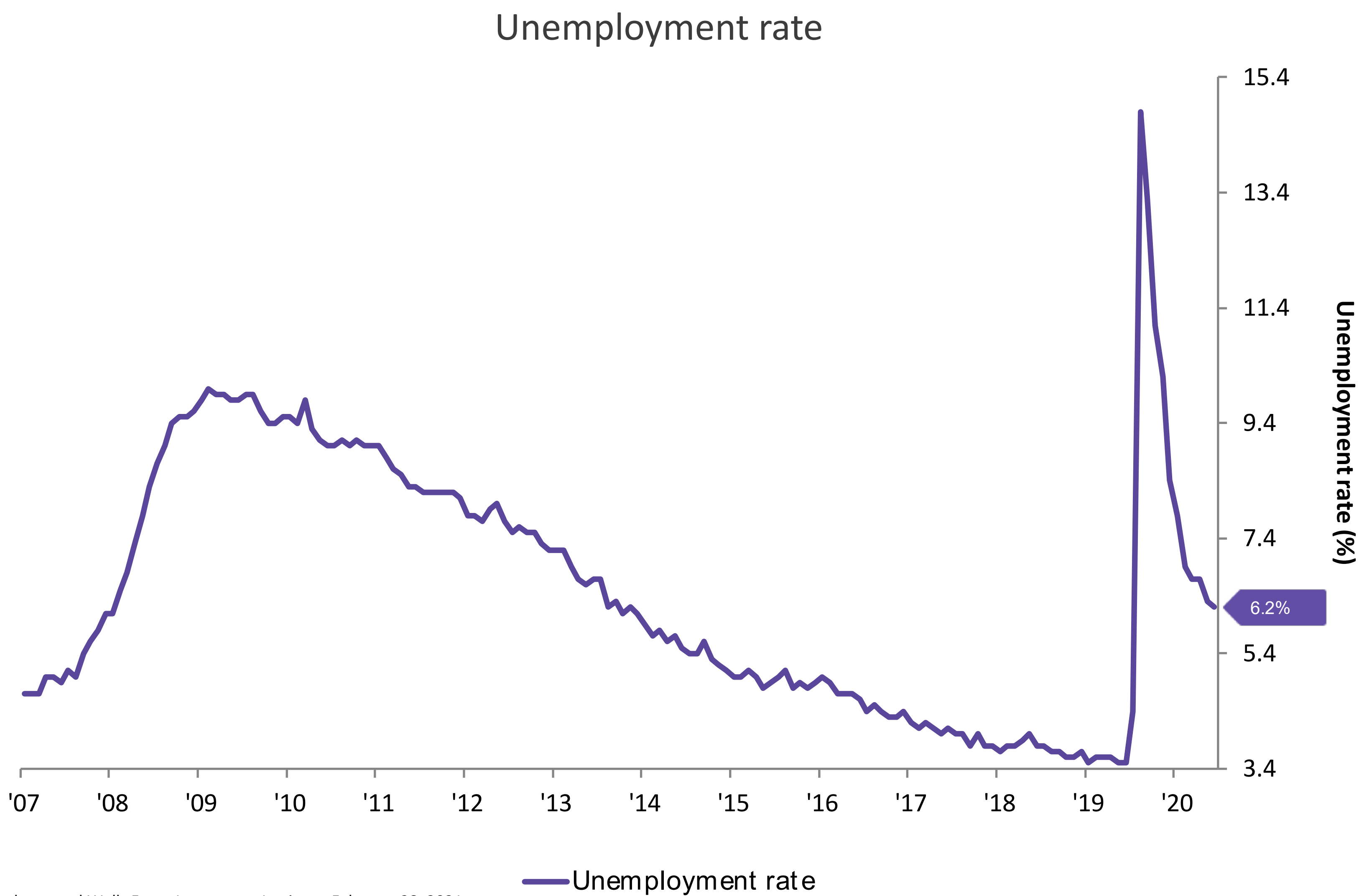
GDP growth should strengthen in 2021



Source: Bloomberg, Wells Fargo Securities Economics Group, and Wells Fargo Investment Institute. GDP as of December 31, 2020. 1Q21-3Q21 data is a Wells Fargo Securities Economics Group forecast as of February 10, 2021. QoQ = quarter over quarter. SAAR = Seasonally Adjusted Annual Rate. GDP = Gross Domestic Product. Forecasts and estimates are not guaranteed and based on certain assumptions and on views of market and economic conditions which are subject to change.

Employment situation shows modest improvement

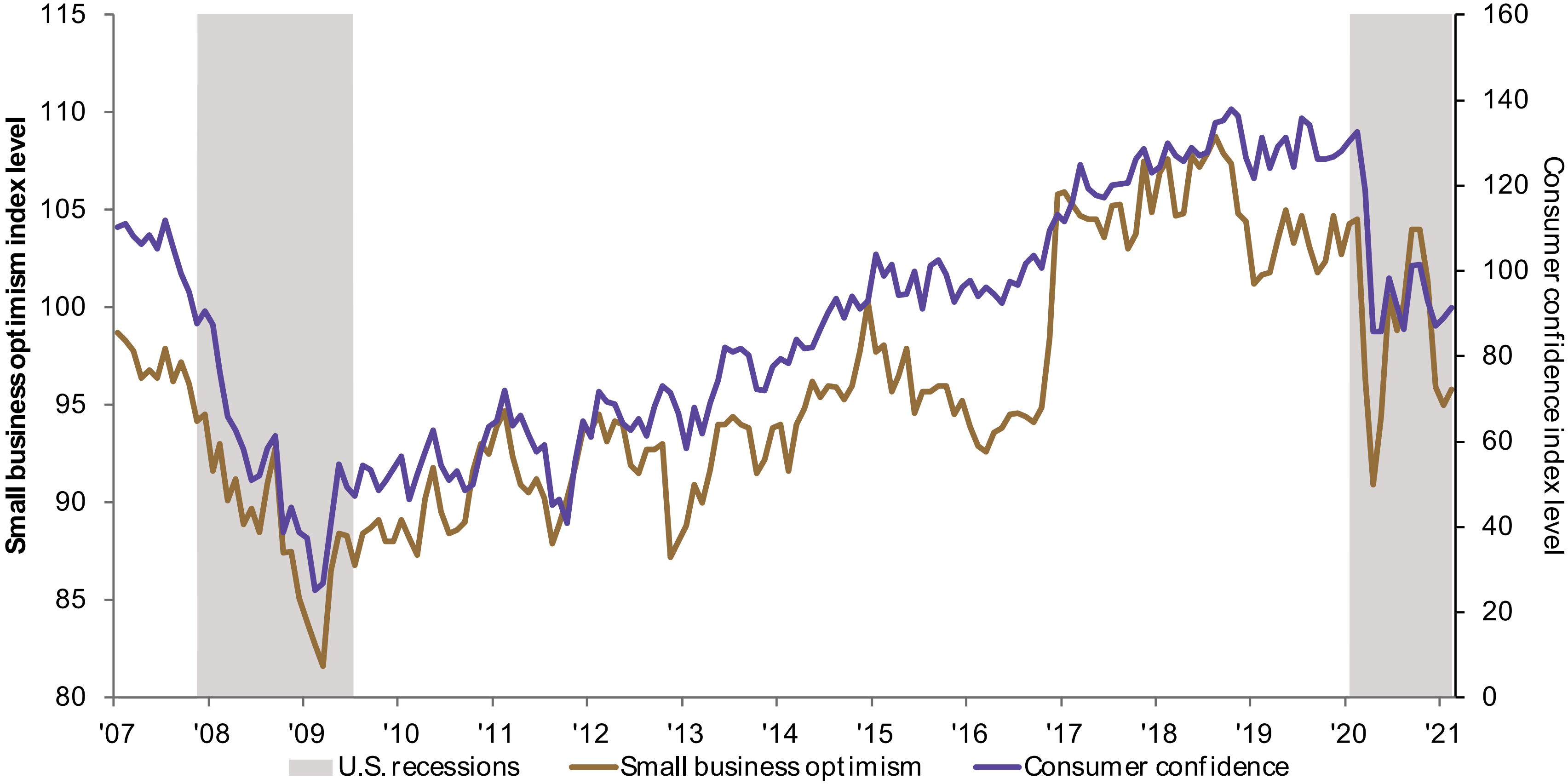
The unemployment rate has declined but remains well above pre-pandemic levels



Source: Bloomberg, and Wells Fargo Investment Institute; February 28, 2021.

Consumer and business confidence bottoming

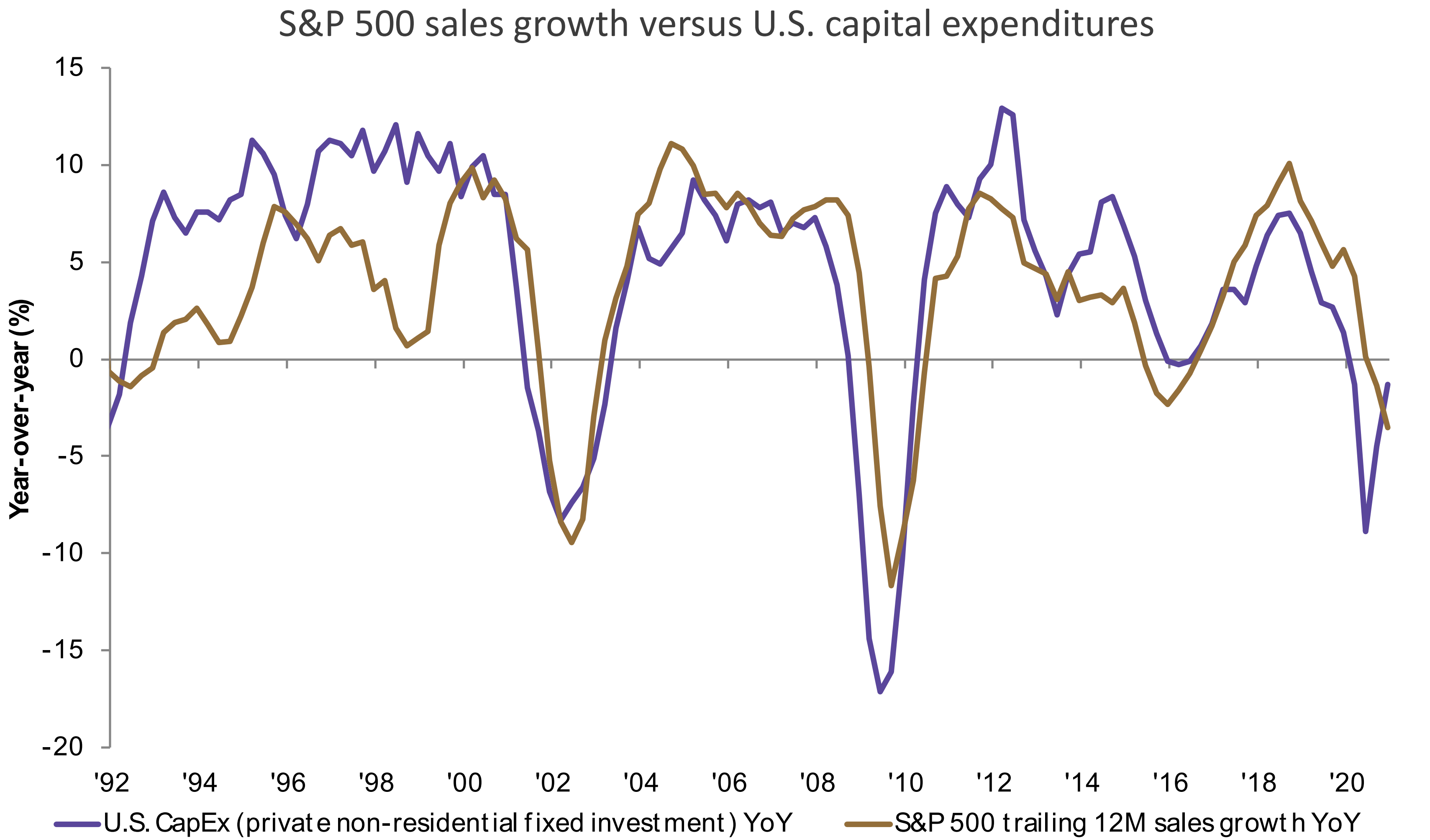
Confidence rebounded from the bottom on reopening optimism, but has declined at the start of the year



Sources: Bloomberg; February 28, 2021. The shaded bar represent a recession period. The Conference Board Consumer Confidence Index® is a barometer of the health of the U.S. economy from the perspective of the consumer. The National Federation of Independent Business (NFIB) Small Business Optimism Index is a composite of ten seasonally adjusted components. It provides an indication of the health of small businesses in the U.S., which account of roughly 50% of the nation's private workforce.

Capital spending has slowed

S&P 500 sales growth continued to decline in Q4 with capital expenditures rebounding from lows

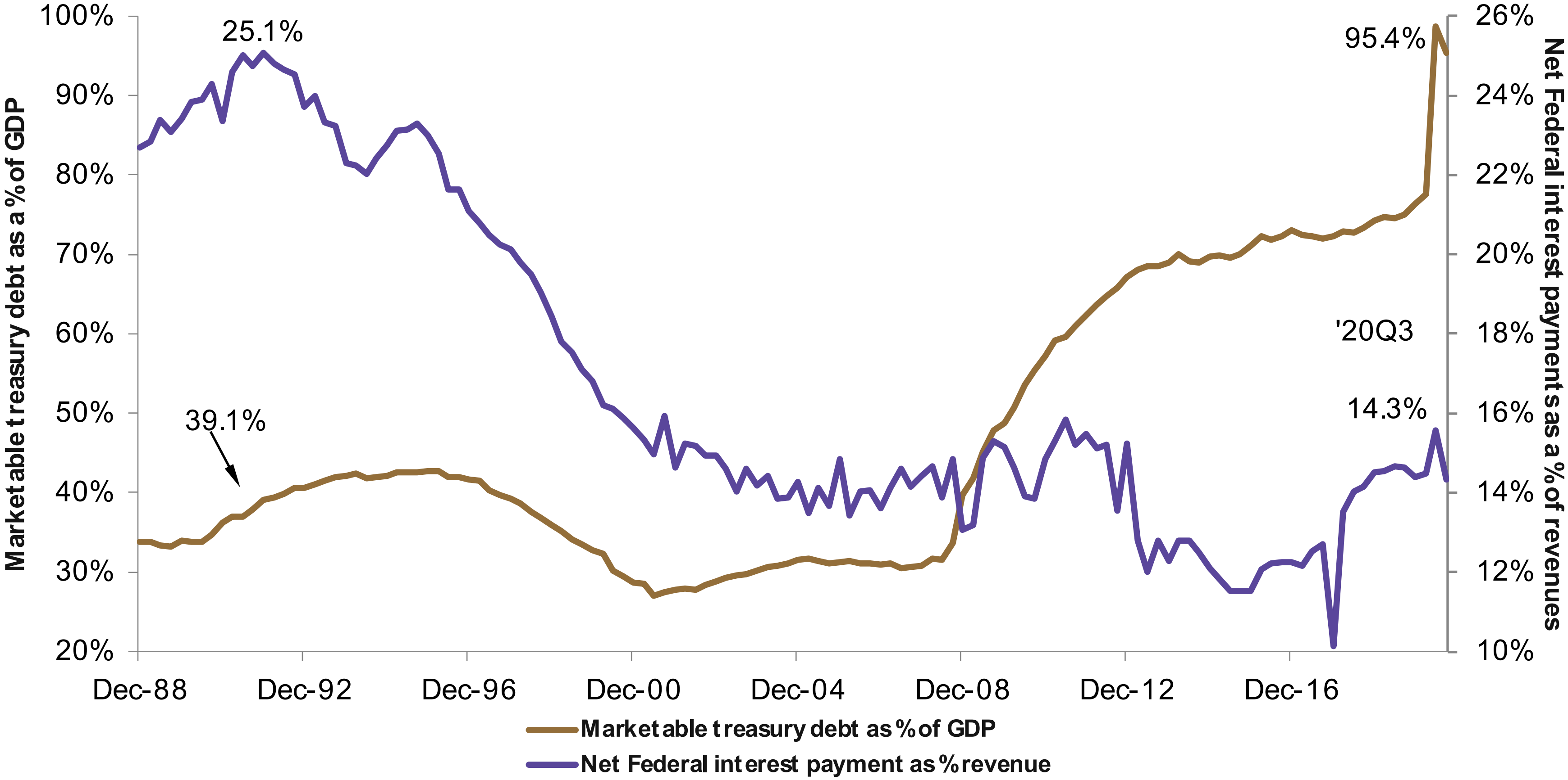


Sources: Bloomberg, Bureau of Economic Analysis, and Wells Fargo Investment Institute; December 31, 2020. Capex means capital expenditure and refers to funds spent by a company to buy, repair, update or improve a fixed company asset, such as a building, business or equipment. YoY=year-over-year. An index is unmanaged and not available for direct investment.

Federal debt service

Lower interest rates suppressed the federal debt payment burden even as outstanding debt soars

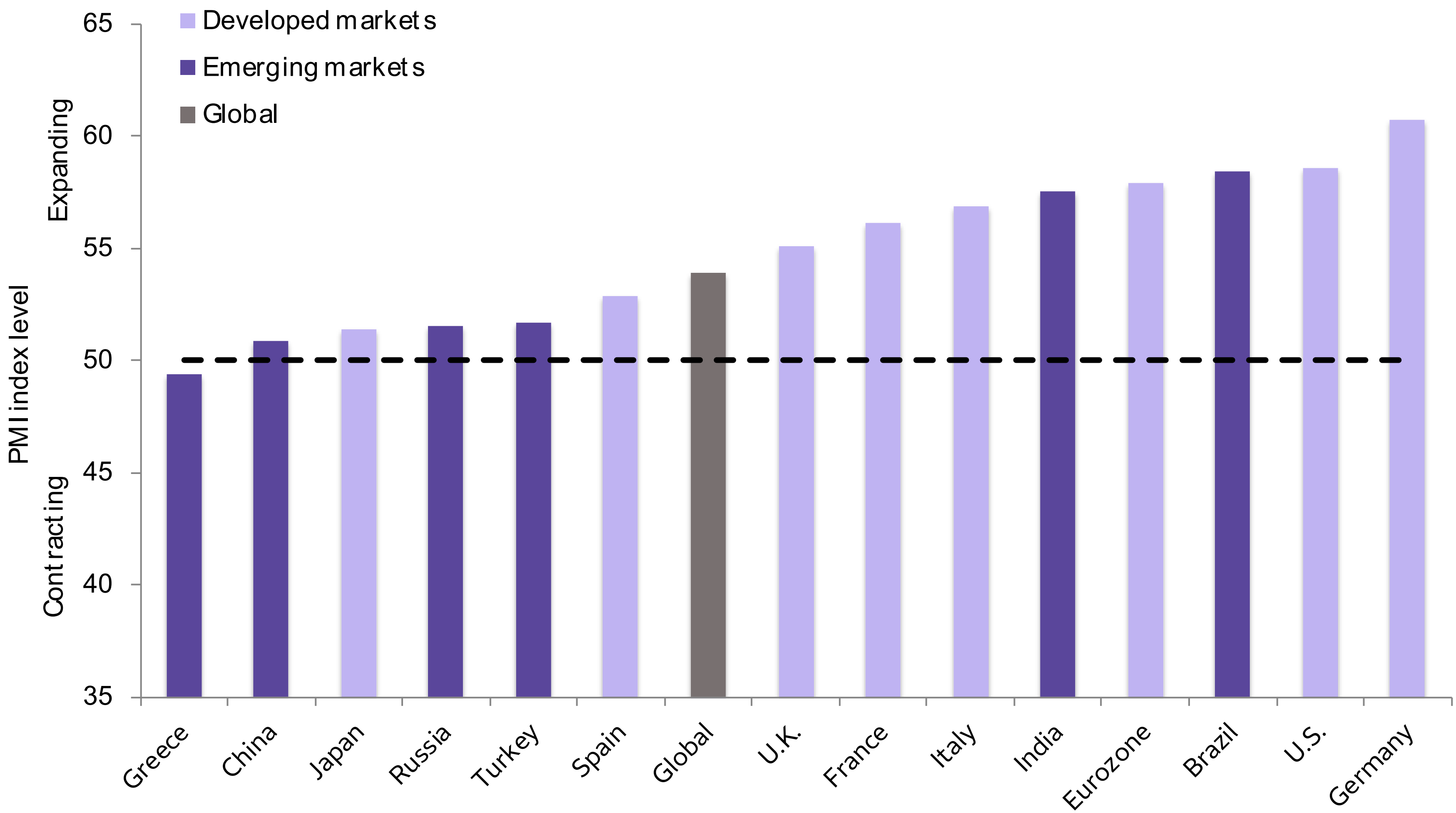
Treasury debt as a % of GDP versus net Federal interest payments as a % of revenue



Sources: U.S. Treasury Department, Wells Fargo Investment Institute. Data as of September 30, 2020. GDP=Gross Domestic Product.

Global manufacturing sentiment

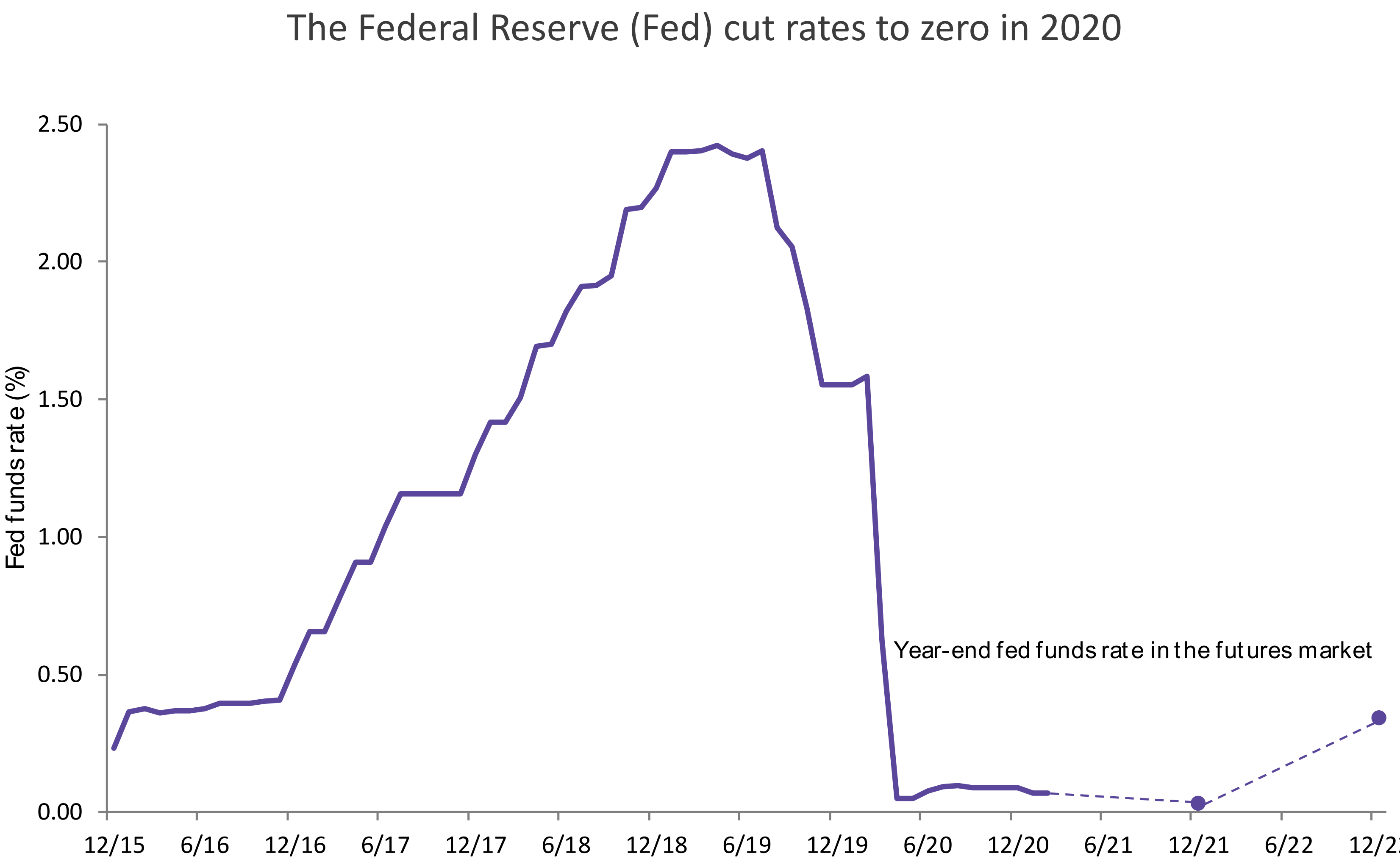
Manufacturing sentiment has entered expansion territory in most major economies



Sources: Bloomberg, HSBC Markit, Wells Fargo Investment Institute; February 28, 2021. PMI = Purchasing Managers' Index (manufacturing). Purchasing Managers Index (PMI) is an indicator of the economic health of the manufacturing sector. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. Dotted line represents the threshold to signal expanding manufacturing sentiment.

Interest rate expectations

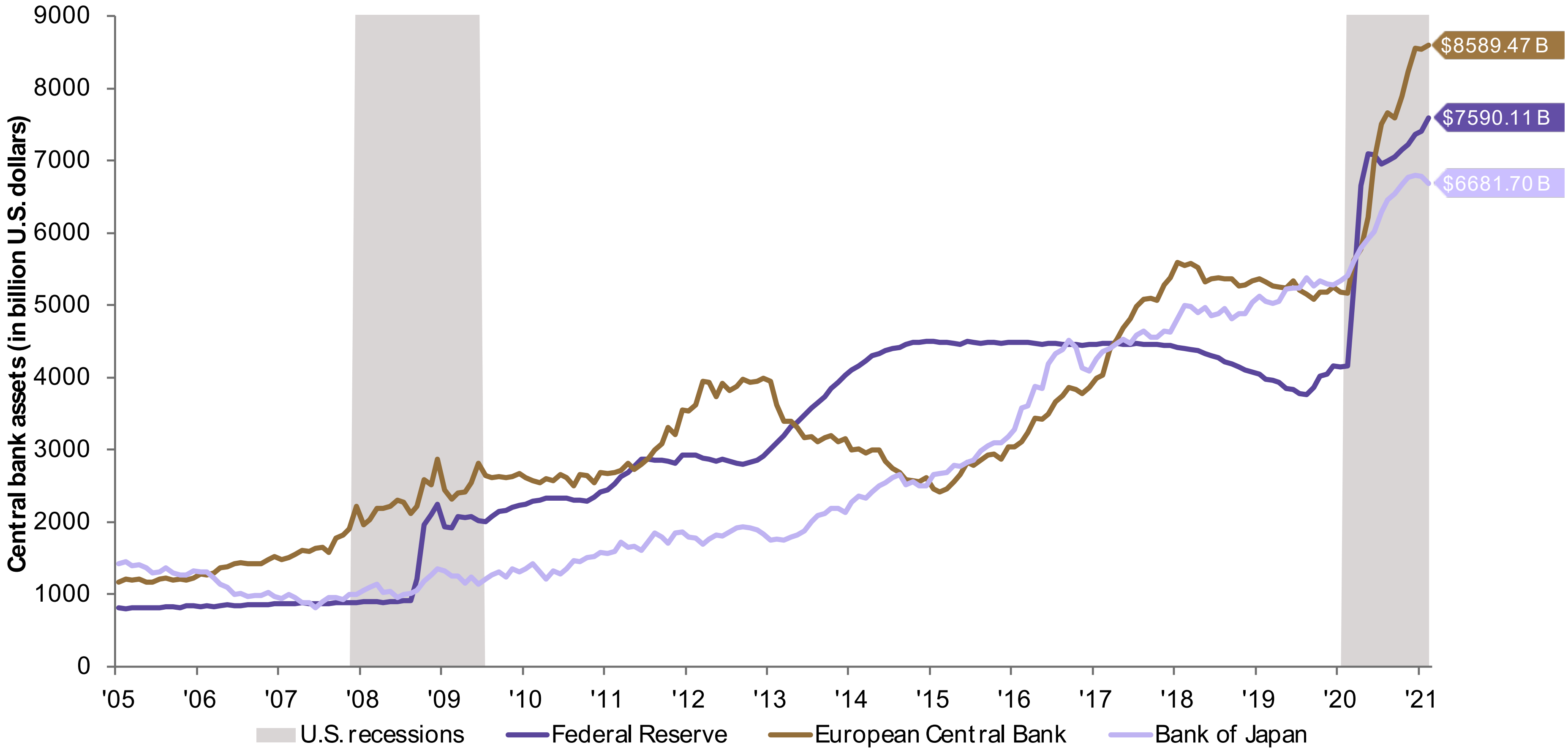
Market expects low rates through 2021



Sources: Federal Reserve Bank of New York, Federal Reserve Board, Wells Fargo Investment Institute; February 28, 2021.

Central bank balance sheets

Central bank assets have increased as more liquidity is injected into the market



Sources: Bloomberg, Wells Fargo Investment Institute; February 28, 2021.

Monetary policies remain accommodative

The Federal Reserve cut rates to zero in 2020

Global Central Bank monitor

	Real GDP*	Inflation rate*	Interest rate	Last move
Developed countries				
United States	(3.5)	1.7	0.00 – 0.25	03/20 (↓ 1.00)
Japan	(4.9)	(0.6)	(0.10) – 0.00	01/16 (↓ 0.20)
Eurozone	(6.6)	(0.3)	0.00	03/16 (↓ 0.05)
United Kingdom	(7.8)	0.7	0.10	04/20 (↓ 0.15)
Canada	(5.4)	1.0	0.25	04/20 (↓ 0.50)
Emerging countries				
China	2.3	(0.2)	4.35	11/15 (↓ 0.25)
India	4.0	5.0	4.00	05/20 (↓ 0.40)
Russia	(3.4)	5.7	4.25	08/20 (↓ 0.25)
Brazil	(4.1)	5.2	2.00	08/20 (↓ 0.25)
South Korea	(1.0)	1.1	0.50	05/20 (↓ 0.15)

Sources: Bloomberg, Wells Fargo Investment Institute. *Year-over-year growth rate. GDP=gross domestic product. Real GDP values are the full year seasonally adjusted annual rate as of December 31, 2020 except the United Kingdom which is as of September 30, 2020. Inflation is as of February 28, 2021 except the Eurozone, Japan, Canada, and the United Kingdom which is as of January 31, 2021. Interest rates as of March 15, 2021.

Today’s agenda

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Investment strategies to consider in portfolios

Equity outlook

	2021 year-end forecasts	2020	2019
S&P 500 Index	4200-4400	3756	3231
S&P 500 Index EPS	$190	$144	$164
Russell Midcap Index	3150-3350	2743	2382
Russell 2000 Index	2450-2650	1975	1668
MSCI EAFE Index	2200-2400	2148	2037
MSCI Emerging Markets Index	1400-1600	1291	1115

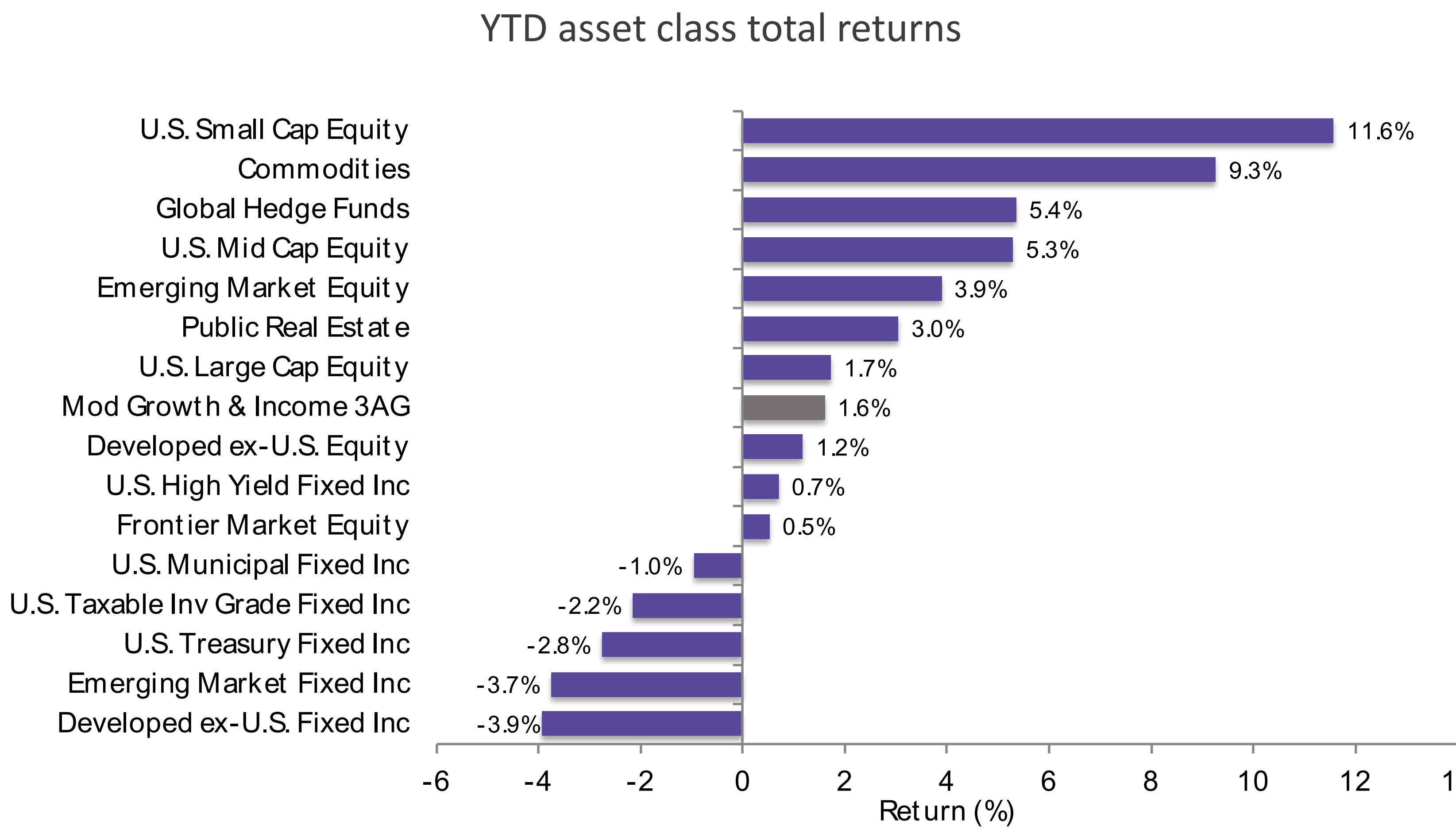
Sources: FactSet, Bloomberg, Wells Fargo Investment Institute; February 28, 2021. 2021 year-end forecasts updated on March 5, 2021. All 2019 data is as of December 31, 2019. All 2020 data is as of December 31, 2020. [1]2020 S&P 500 Index EPS is the Bloomberg consensus estimate as of March 5, 2021. Forecasts: Wells Fargo Investment Institute estimates. EPS = earnings per share.

Forecasts and estimates are not guaranteed and based on certain assumptions and on our current views of market and economic conditions, which are subject to change.

An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Asset class performance

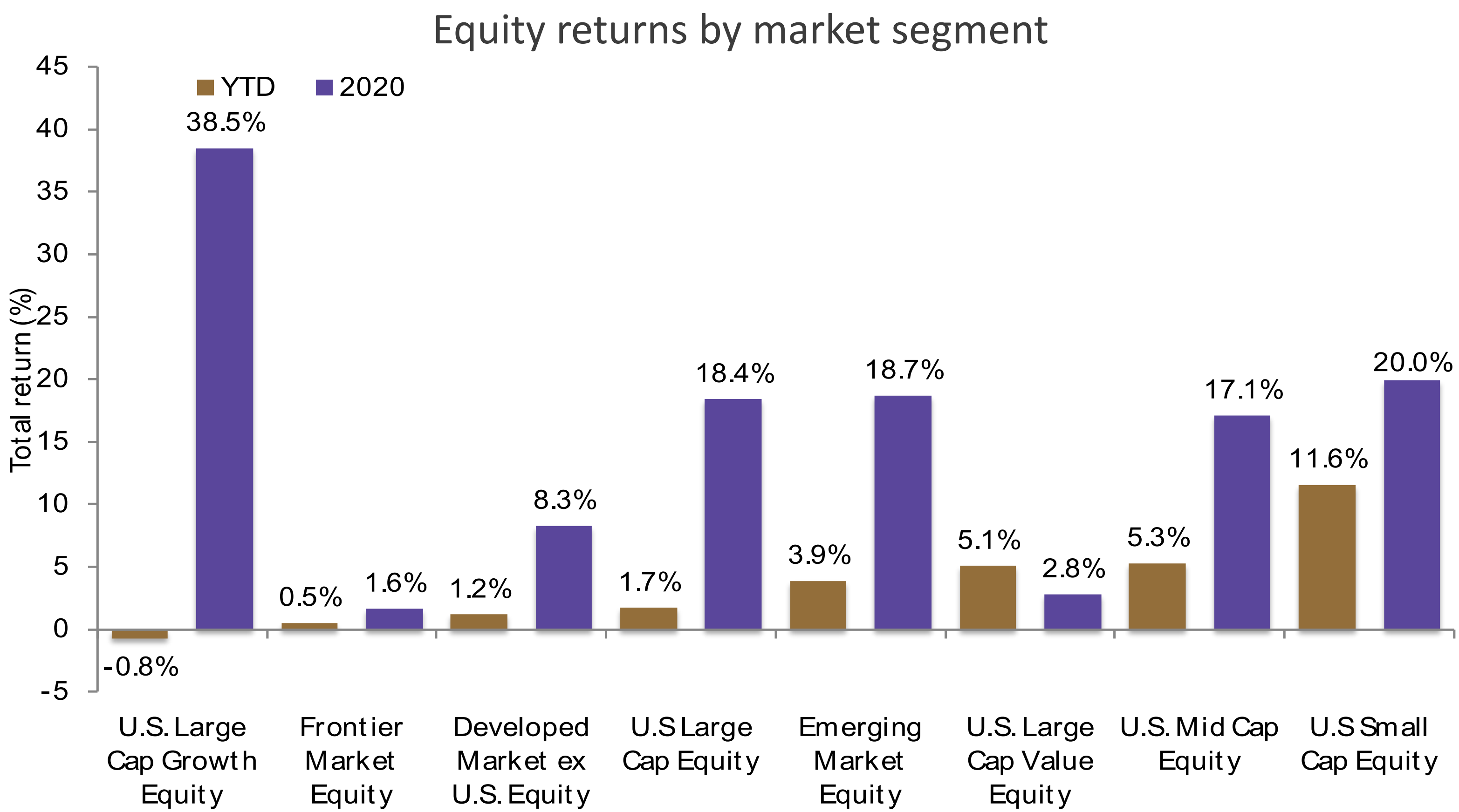
Equities continue to outperform YTD



Sources: Bloomberg, FactSet, ©Morningstar. All Rights Reserved.(i), Wells Fargo Investment Institute. Total return as of February 28, 2021. YTD=year-to-date. ***Index return information is provided for illustrative purposes only. Performance results for the Moderate Growth & Income 3AG Portfolio are hypothetical.*** *Index returns do not represent investment performance or the results of actual trading*. Index returns reflect general market results, assume the reinvestment of dividends and other distributions and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. Unlike most asset class indices, HFR Index returns reflect deduction for fees. Because the HFR indices are calculated based on information that is voluntarily provided actual returns may be higher or lower. than those reported. ***Hypothetical and past performance does not guarantee future results.*** Composition of the Moderate Growth & Income 3AG Portfolio, the asset class risks associated with the representative asset classes and the definitions of the indices are provided at the end of the presentation.

Equities

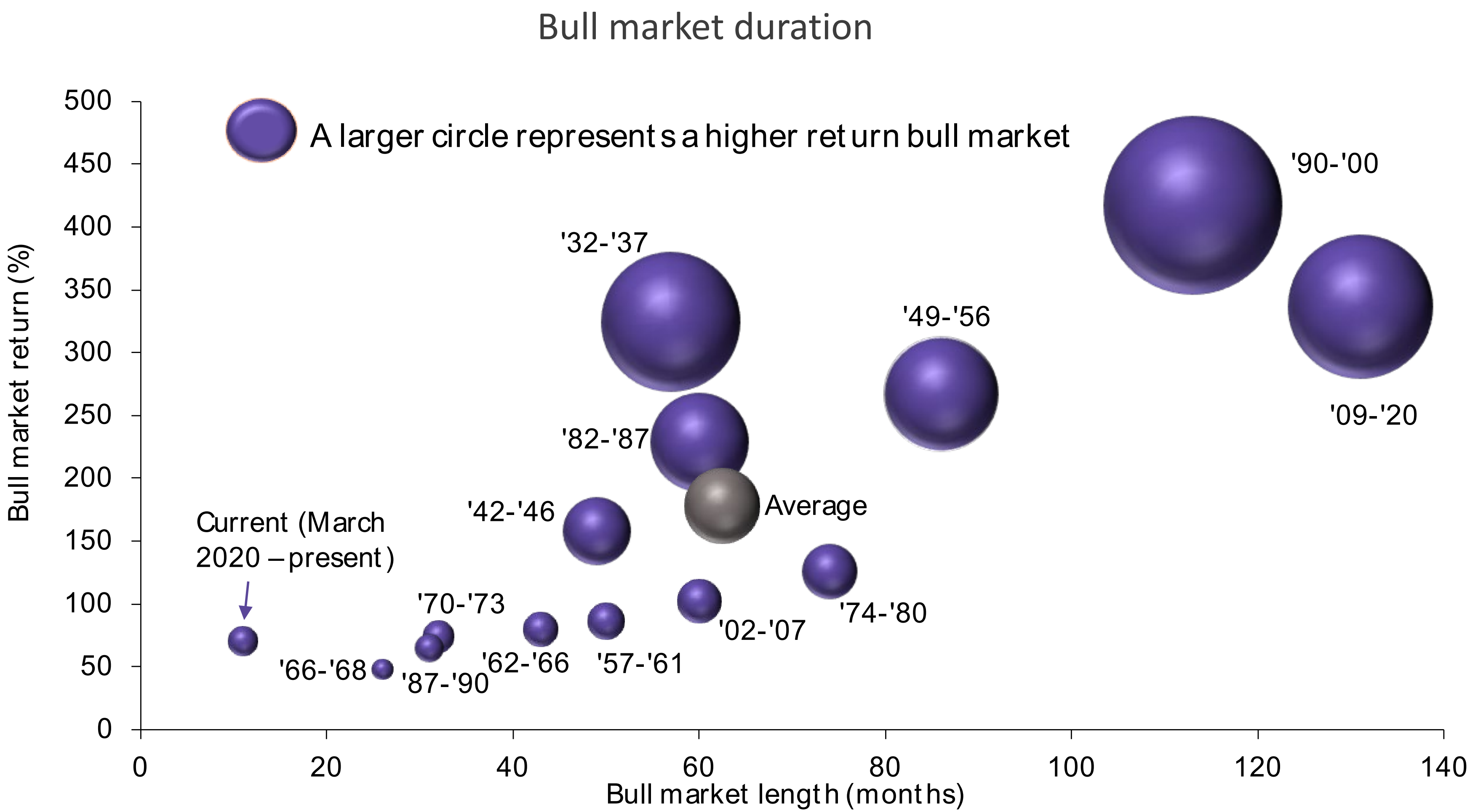
U.S. small-cap and mid-cap equities outperformed last month



Sources: Bloomberg, FactSet, ©Morningstar. All Rights Reserved.[i]. Wells Fargo Investment Institute. Total return as of February 28, 2021. Emerging Market Equity: MSCI Emerging Markets Index; Frontier Market Equity: MSCI Frontier Markets Index; Developed Market ex U.S. Equity: MSCI EAFE Index; U.S. Large Cap Value: Russell 1000 Value Index; U.S. Small Cap Equity: Russell 2000 Index; U.S. Large Cap Equity: S&P 500 Index; U.S. Mid Cap Equity: Russell Midcap Index; U.S. Large Cap Growth Equity: Russell 1000 Growth Index. ***Index return information is provided for illustrative purposes only.*** *Index returns do not represent investment performance or the results of actual trading.* Index returns reflect general market results, assume the reinvestment of dividends and other distributions and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance does not guarantee future results.** The asset class risks associated with the representative asset classes and the definitions of the indices are provided at the end of the presentation.

Bull markets: historical perspective

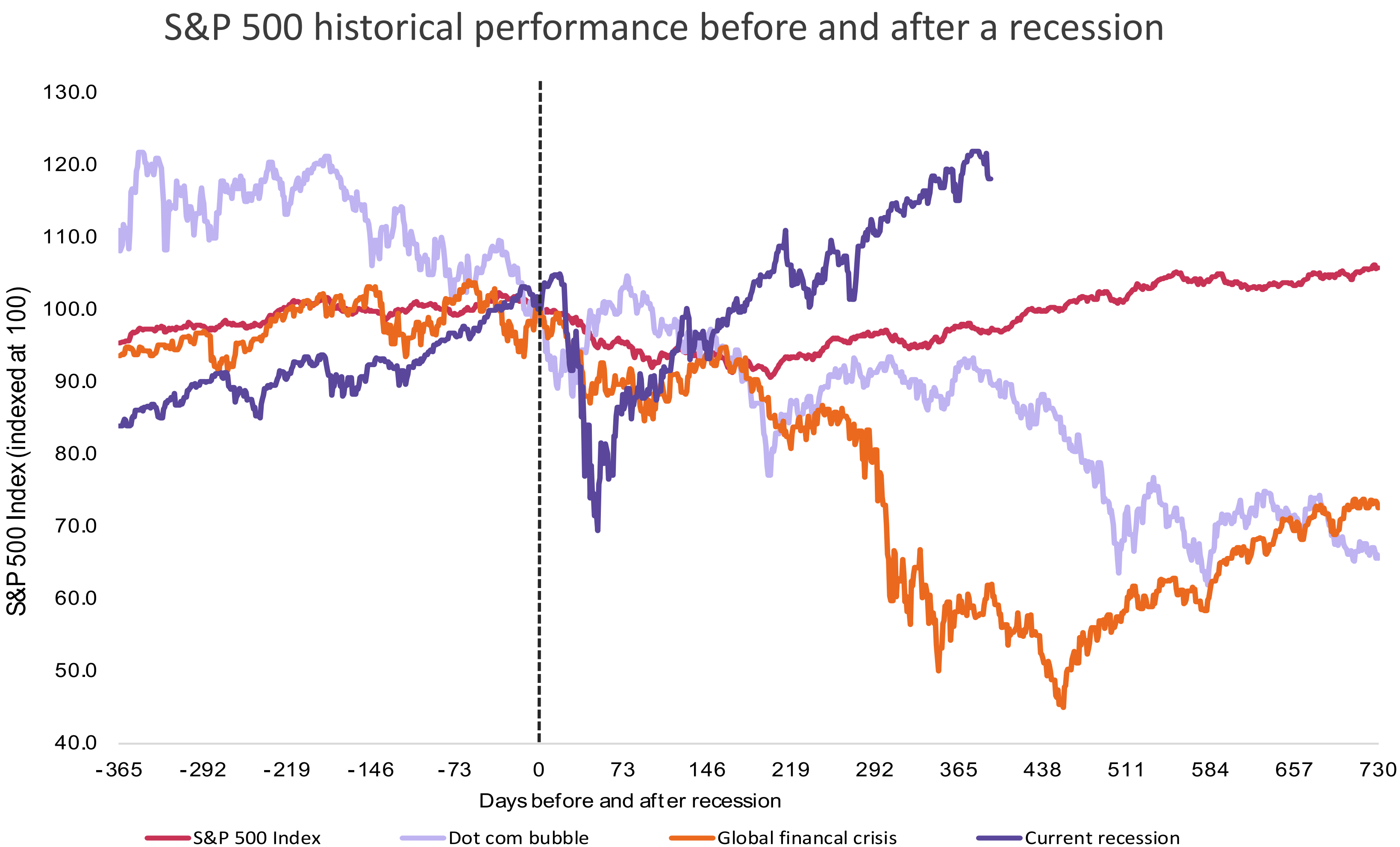
The new bull market is in bull force



Sources: Bloomberg and Wells Fargo Investment Institute, as of February 28, 2021. The S&P 500 Index is a market-capitalization-weighted index considered representative of the U.S. stock market. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Equities: S&P 500 before and after a recession

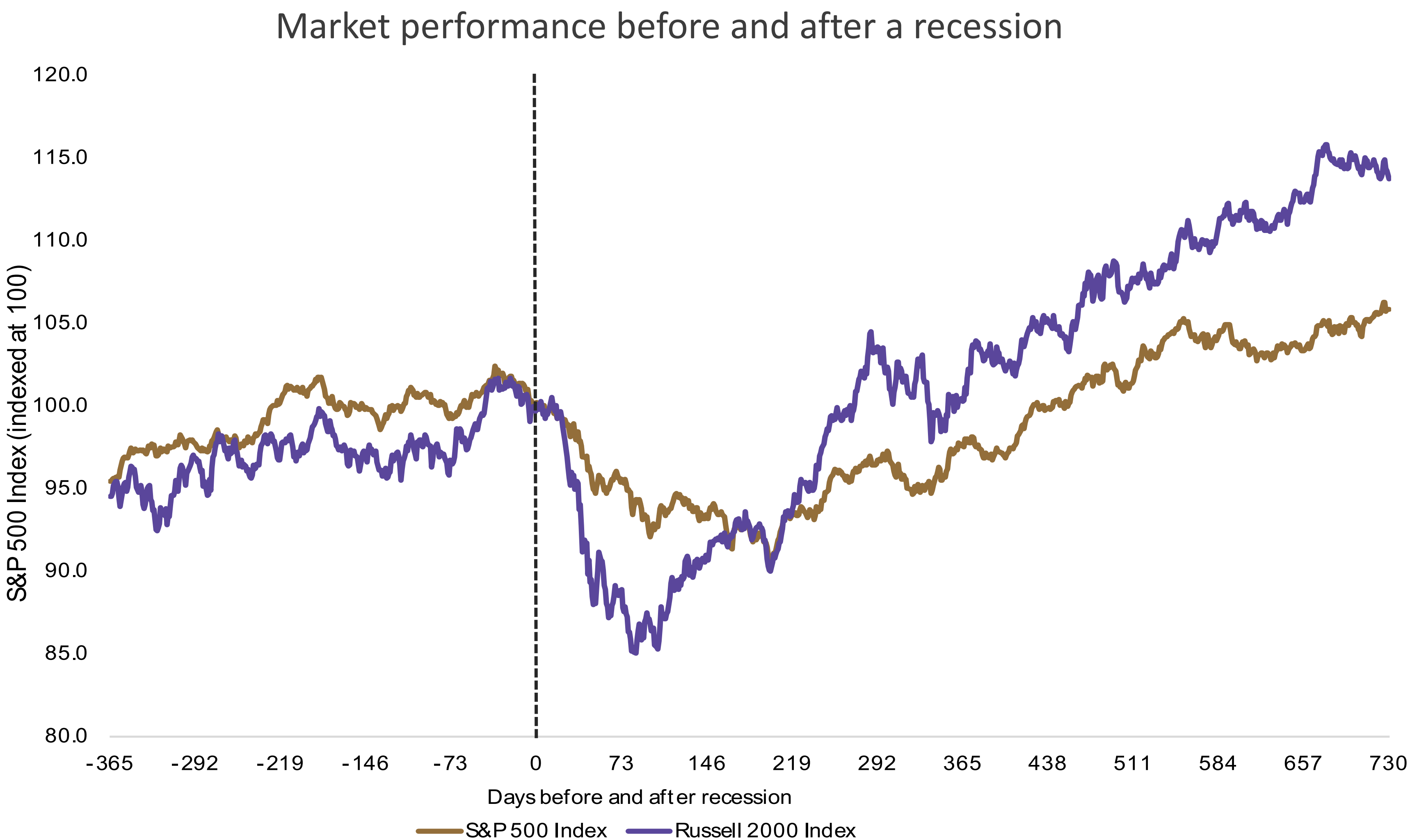
The S&P 500 has rebounded sharply after a short, but deep recession



Sources: Bloomberg, Wells Fargo Investment Institute. S&P 500 Index Price Return as of February 28, 2021. S&P 500 Index average is calculated taking the average recession performance from 1929 – 2020. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Equities: Large cap vs. small cap before and after a recession

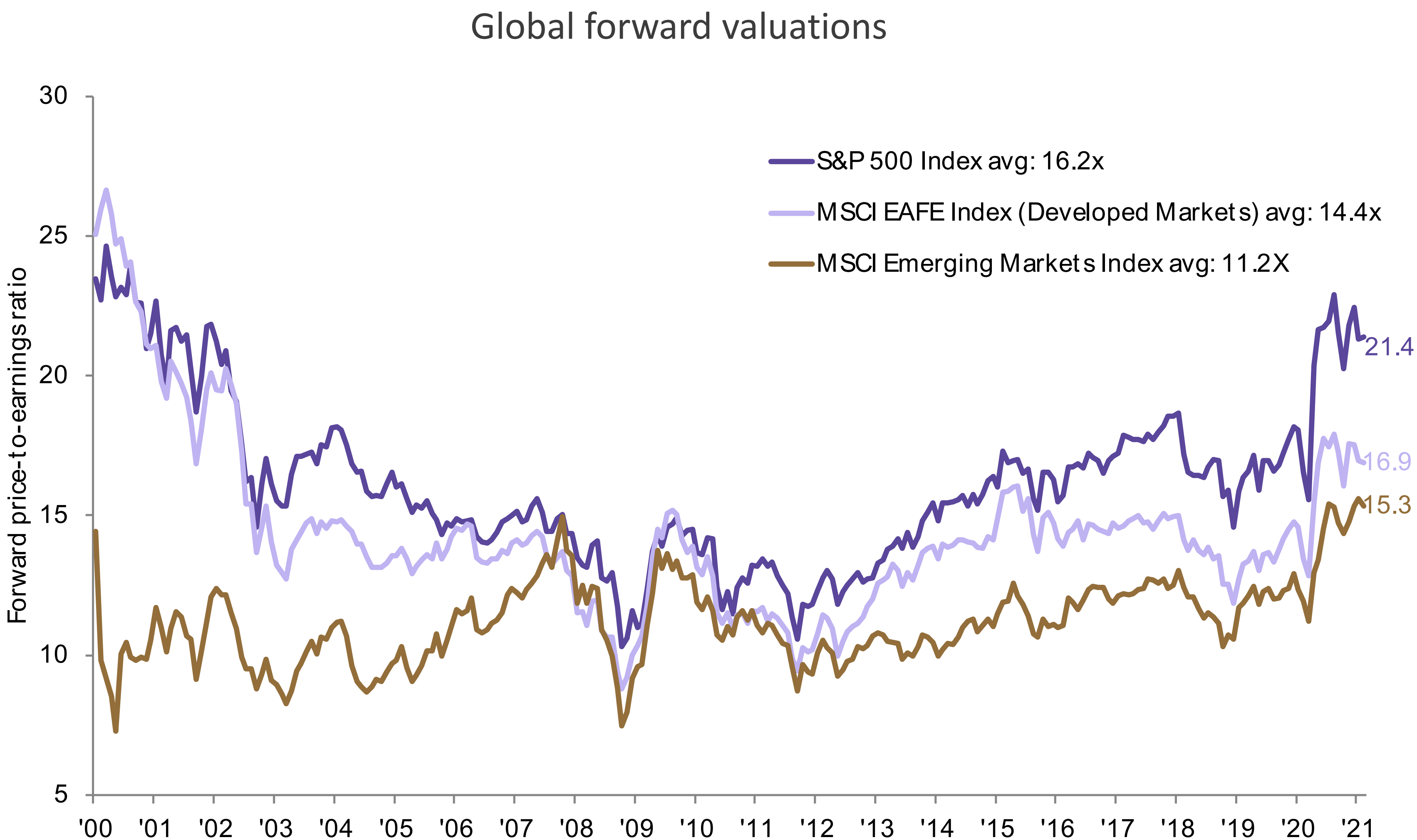
Small caps have outperformed around a year after a recession



Sources: Bloomberg, Wells Fargo Investment Institute. S&P 500 Index Price Return, and Russell 2000 Index Price Return as of February 28, 2021. S&P 500 Index average is calculated taking the average recession performance from 1929 – 2020. Russell 2000 Index average is calculated taking the average recession performance from 1980 – 2020. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Global equity valuations: too much or not enough?

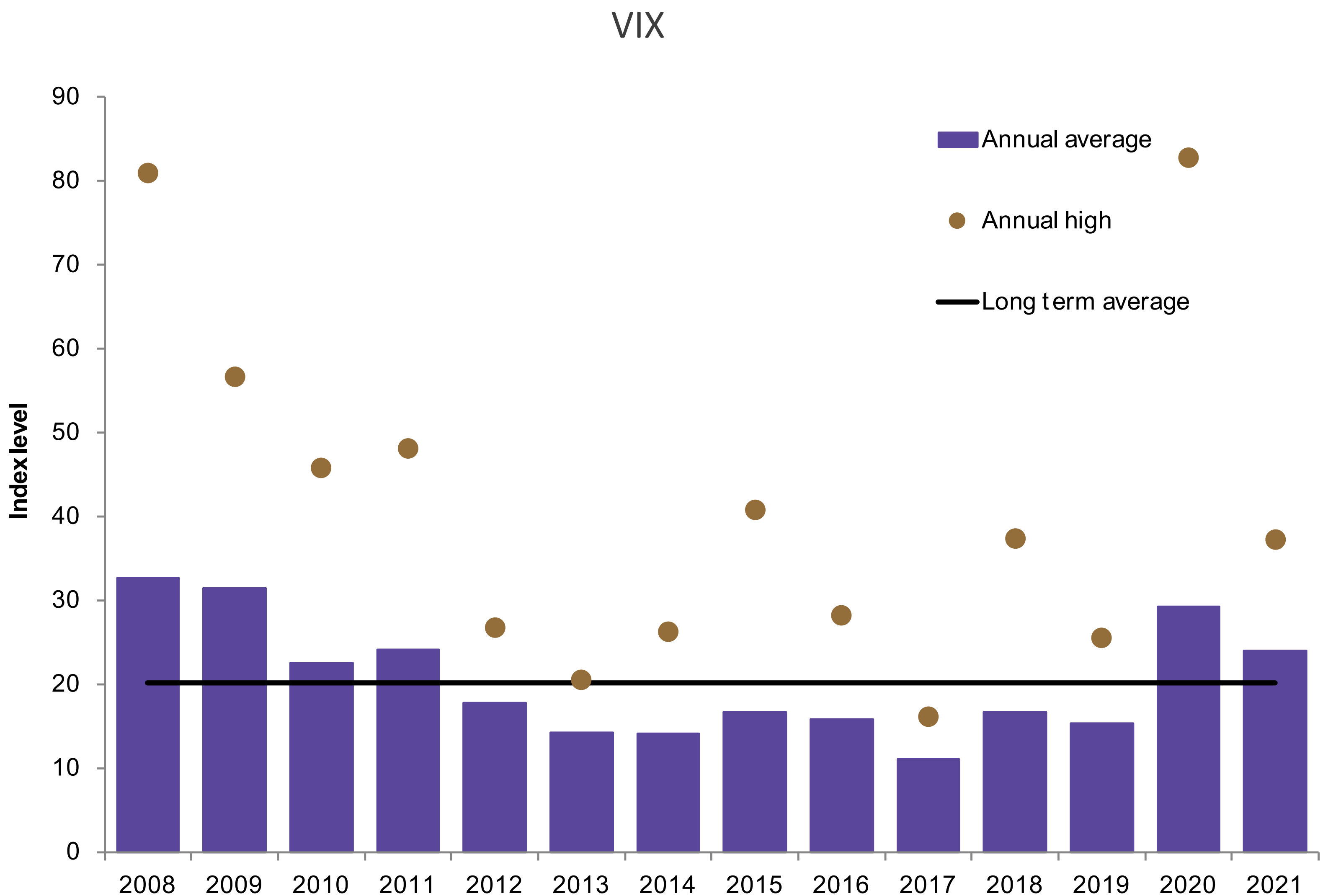
U.S. large-cap price/earnings (P/E) ratios are above historical averages



Source: FactSet; February 28, 2021. P/E ratios represent the total price of the index divided by its total earnings. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Equity market volatility

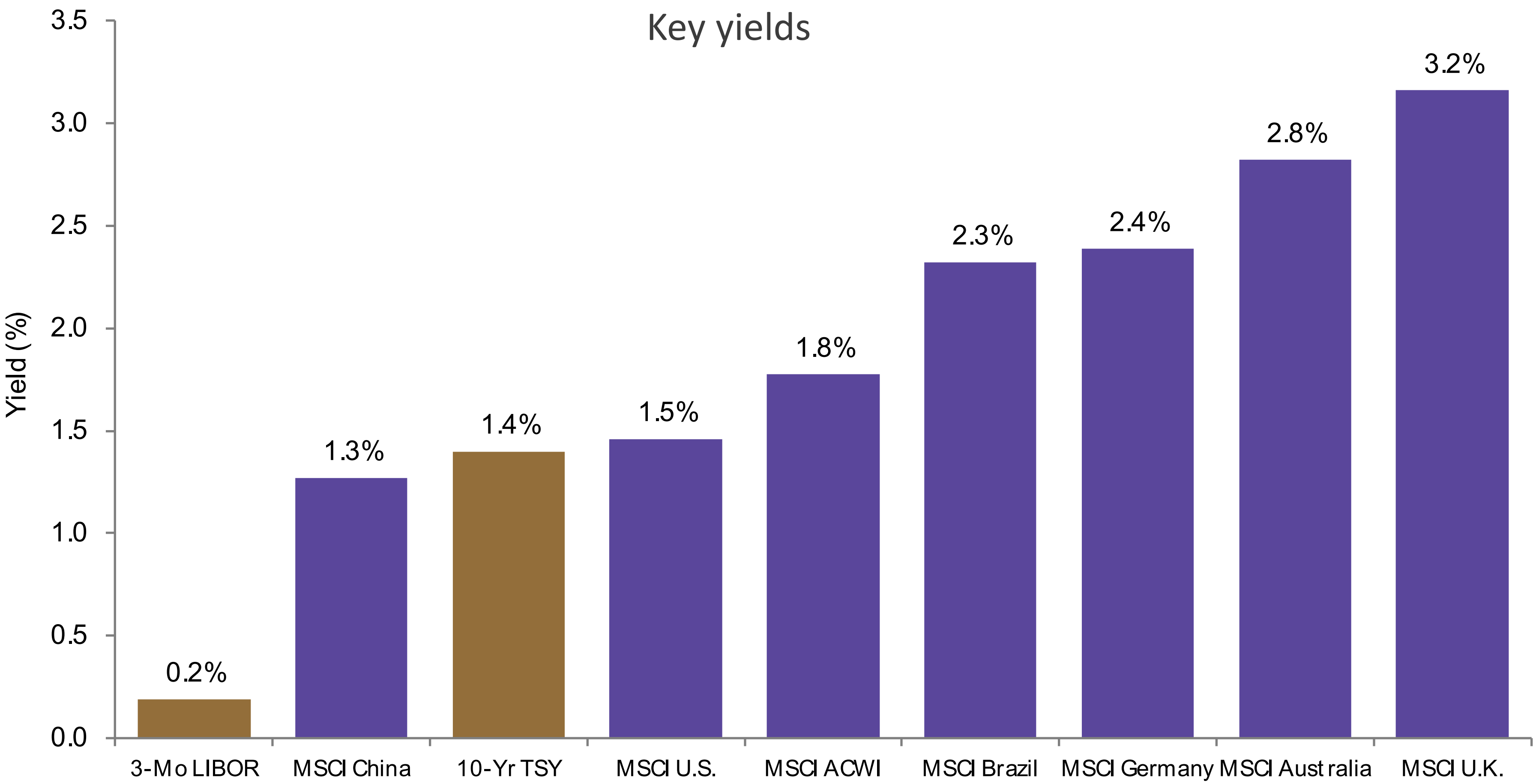
Volatility has declined from recent highs



Sources: Bloomberg, Wells Fargo Investment Institute; February 28, 2021. YTD=year to date. The CBOE Volatility Index® (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Global dividend yields

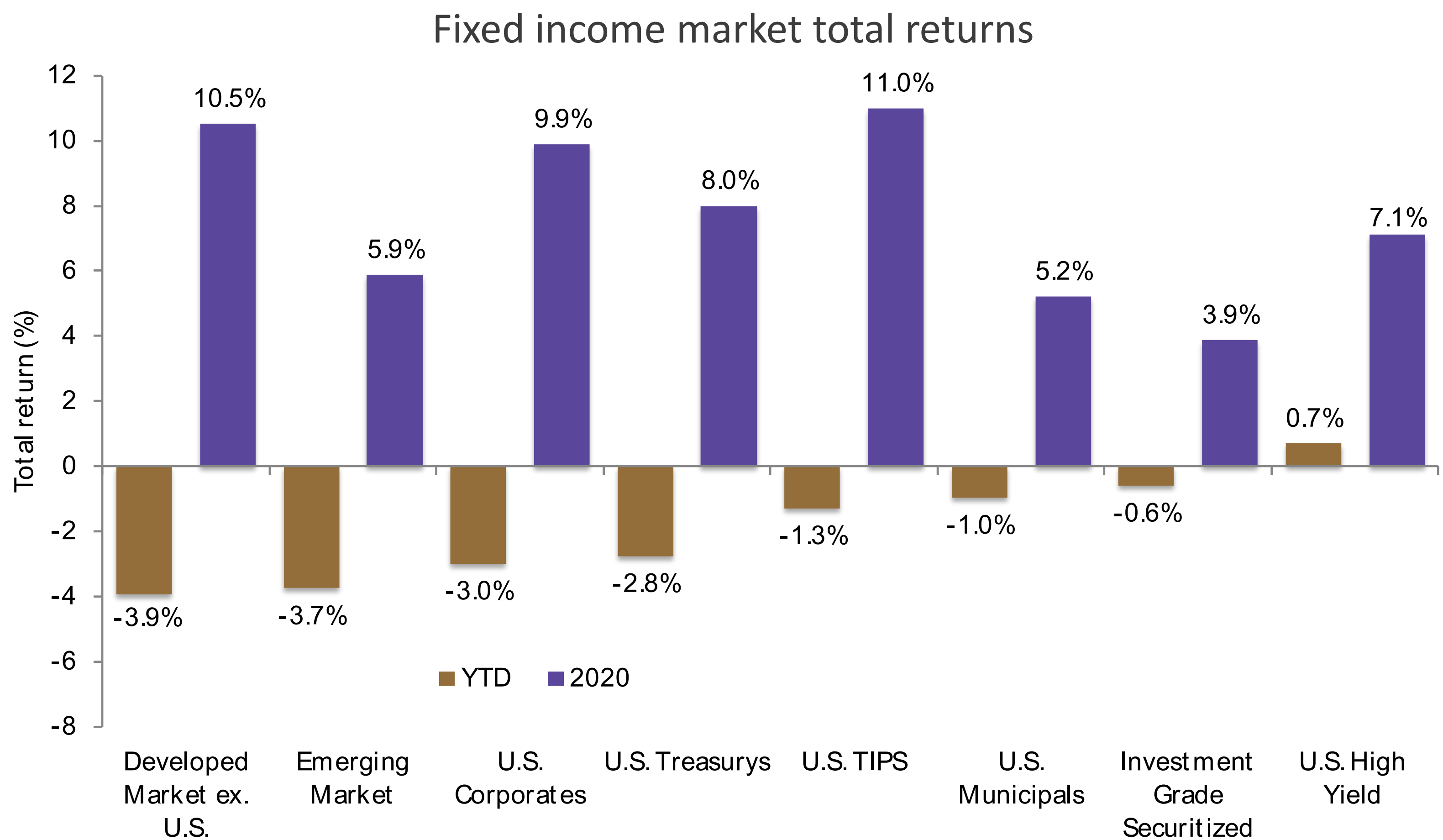
Bond yields are less competitive versus equity dividend yields



Sources: FactSet, Wells Fargo Investment Institute; February 28, 2021. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted. **Past performance is no guarantee of future results.** An index is unmanaged and not available for direct investment. Cash and sovereign bond yields represented in gold; equity dividend yields represented in purple. Cash is represented by 3-Mo LIBOR and sovereign bond yields are represented by the 10-Yr U.S. Treasury bond. The LIBOR USD 3 Month rate is an average derived from the quotations provided by the banks determined by the International Exchange Benchmark Administration. Definitions of the indices and descriptions of the risks associated with investment in these asset classes are provided at the end of the presentation.

Fixed income

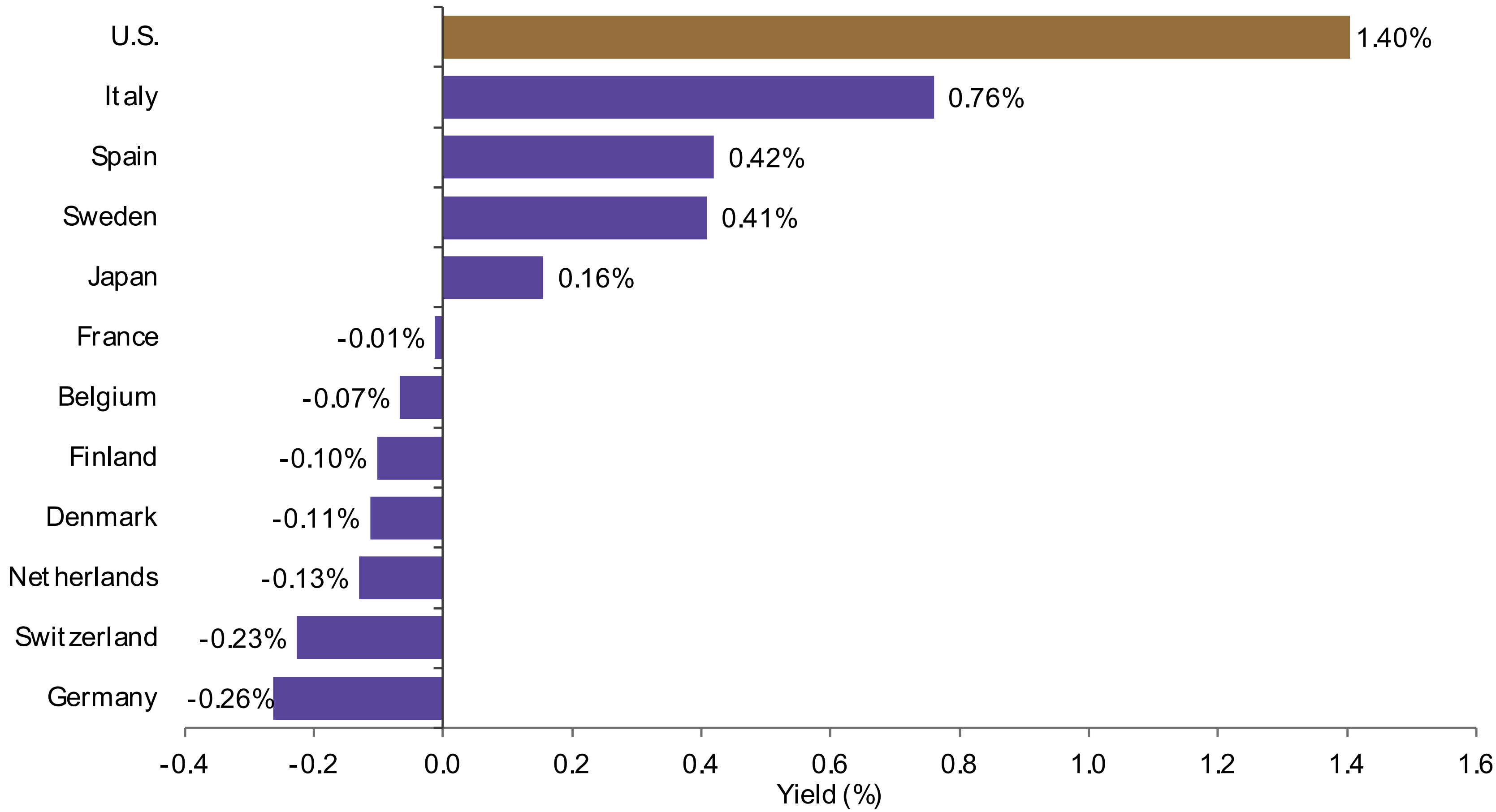
U.S. high yield bonds have outperformed in February



Sources: FactSet, Wells Fargo Investment Institute. Total return as of February 28, 2021. YTD=year-to-date. Investment Grade Securitized: Bloomberg Barclays Mortgage Backed Securities Index; Developed Market ex U.S: JPMorgan Global ex-U.S. Government Bond Index; U.S. Treasurys: Bloomberg Barclays Global U.S. Treasury Index; U.S. Municipals: Bloomberg Barclays U.S. Municipal Index; U.S. TIPS: Bloomberg Barclays U.S. TIPS Index; U.S. Corporates: Bloomberg Barclays U.S. Aggregate Corporate Bond Index; U.S. High Yield: Bloomberg Barclays U.S. Corporate High Yield Index; Emerging Market: JPMorgan Emerging Markets Bond Index**. *Index return information is provided for illustrative purposes only.*** *Index returns do not represent investment performance or the results of actual trading*. Index returns reflect general market results, assume the reinvestment of dividends and other distributions and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Definitions of the indices and descriptions of the risks associated with investment in these asset classes are provided at the end of the presentation.

Global 10-year bond yields

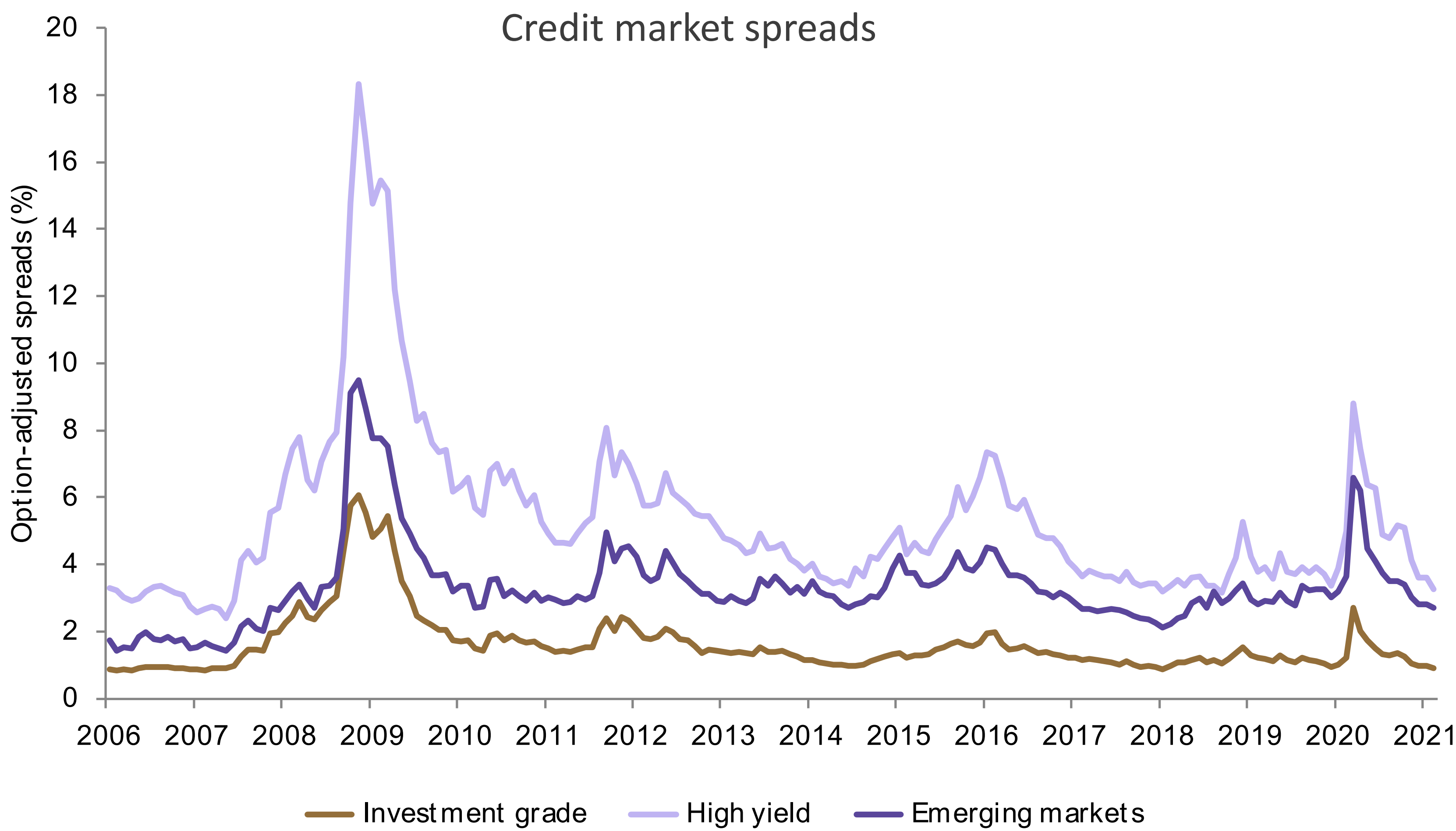
About 25% of debt outstanding in the global bond market is negatively yielding



Sources: Bloomberg, Wells Fargo Investment Institute; February 28, 2021. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than that shown. **Past performance is no guarantee of future results.** Yields represented are 10 Year yields.

Credit markets

Credit spreads are off recent highs nearing 2018 levels

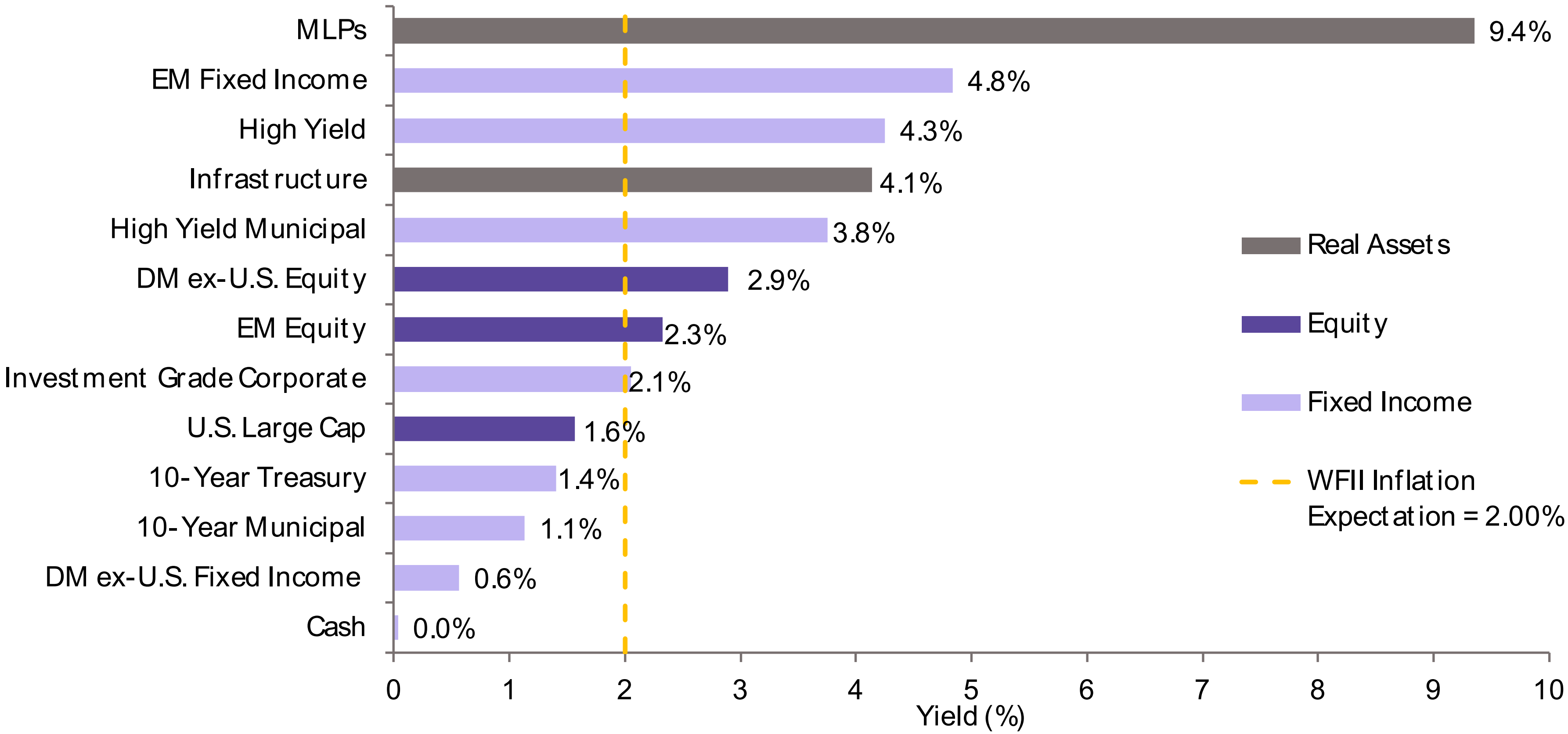


Sources: Bloomberg, Wells Fargo Investment Institute; February 28, 2021. Credit spreads are based on the Bloomberg Barclays U.S. Aggregate Corporate Bond Index, Bloomberg Barclays U.S. Corporate High Yield Index, and Bloomberg Barclays Emerging Market Bond Index. The data shown represents the yield differential between the indexes and their comparable maturity U.S. Treasury security, adjusted for the effects of embedded options, a call feature in which the issuer retains the right to retire the debt, fully or partially before the scheduled maturity. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Definitions of the indices and descriptions of the risks associated with investment in these asset classes are provided at the end of the presentation.

Real assets

MLPs and Infrastructure provide attractive yields in a low-interest-rate environment

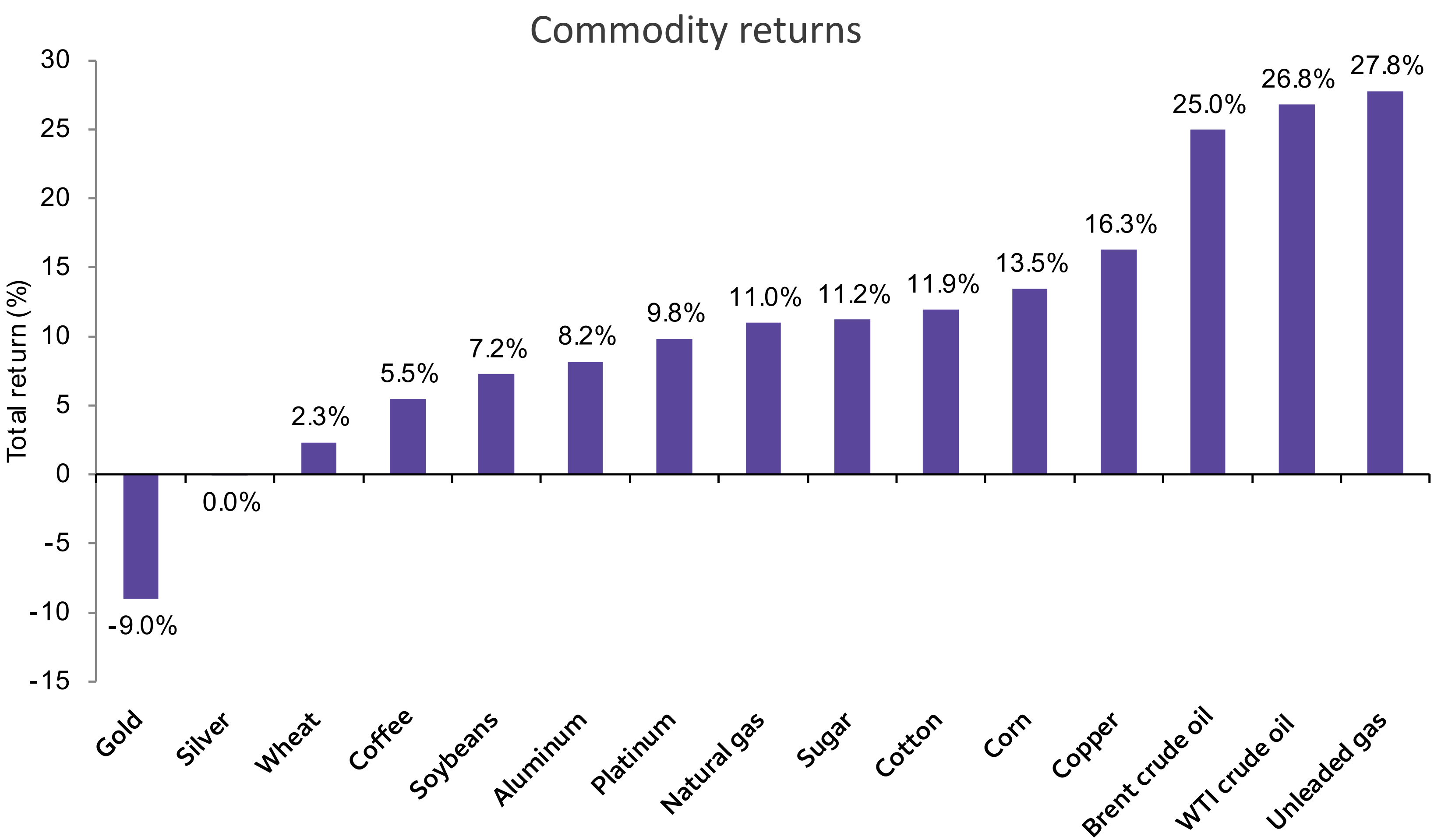
Income from real assets vs fixed income and equity yields



Sources: Bloomberg, Wells Fargo Investment Institute (WFII); February 28, 2021. DM = developed market. EM = emerging market. MLPs = master limited partnerships. MLPs: Alerian MLP Index, High Yield: Bloomberg Barclays U.S. Corporate High Yield Bond Index, Emerging Market: J.P. Morgan EMBI Global Index, Infrastructure: S&P Global Infrastructure Index, High Yield Municipal: Bloomberg Barclays U.S. Municipal High Yield Index, DM ex-U.S. Equity: MSCI EAFE Index, EM Equity: MSCI Emerging Markets Index, Investment Grade Corporate: Bloomberg Barclays U.S. Corporate Bond Index, U.S. Large Cap: S&P 500 Index, Cash: Bloomberg Barclays US Treasury Bills (1–3M) Index, and Developed Market ex-U.S.: J.P. Morgan GBI Global Ex U.S. Index. Yields represent past performance and will fluctuate as market conditions change. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results**. Please see the end of this presentation for the definitions of the indices and a description of the asset class risks.

Real assets

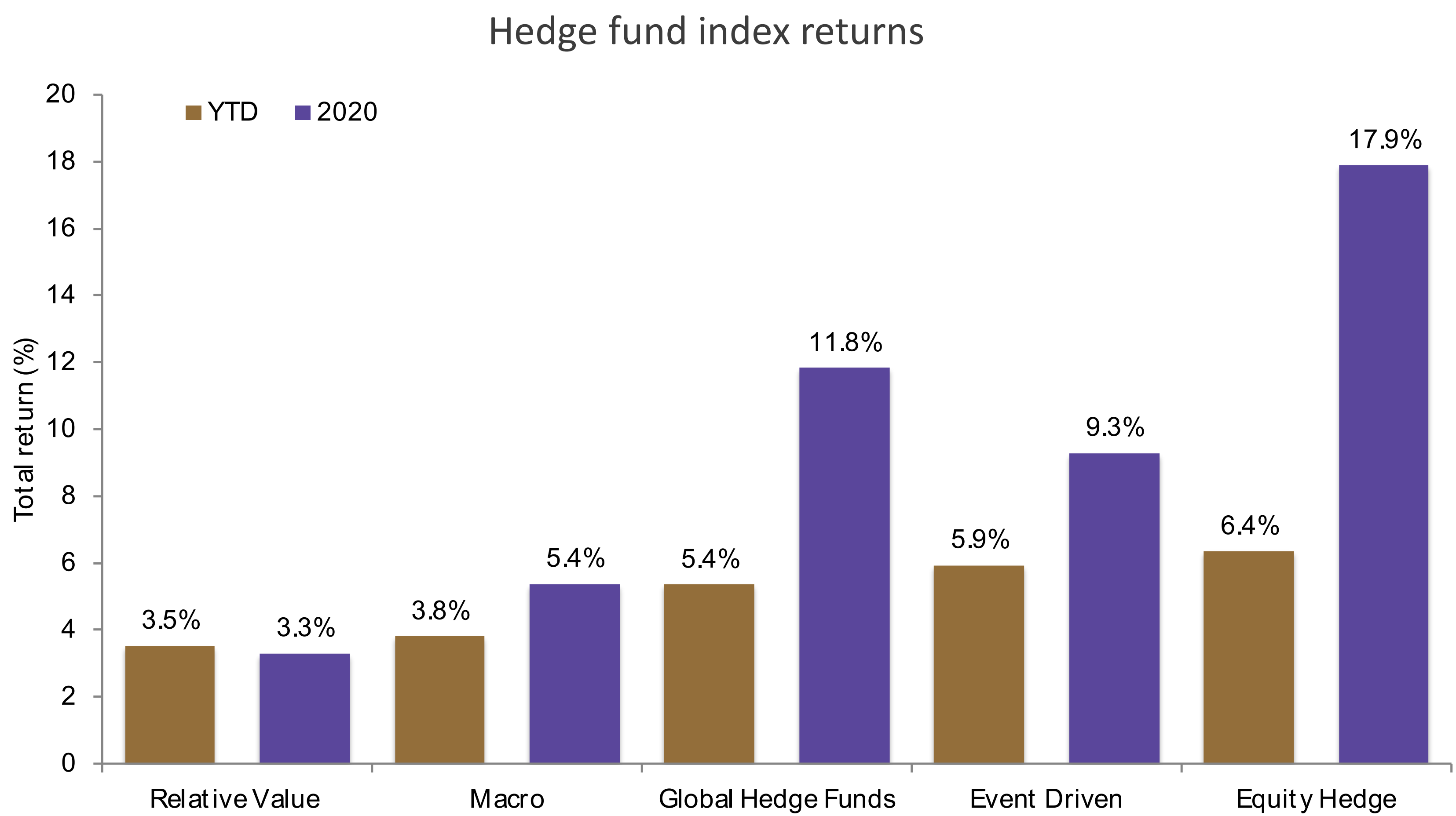
Unleaded gas and oil have outperformed YTD, elevated on recovery efforts



Sources: Bloomberg, Wells Fargo Investment Institute. Total return as of February 28, 2021. YTD=year-to-date. Commodities represented by the sub indexes of the Bloomberg Commodity Index. *Index returns do not represent investment performance or the results of actual trading*. Index returns represent general market results, assume the reinvestment of dividends and other distributions, and do not reflect the deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results**. Please see the end of this presentation for the definitions of the indices and a description of the asset class risks.

Alternative investments

Event Hedge strategies outperformed YTD



Sources: HFRI, Bloomberg, Wells Fargo Investment Institute. Total return as of February 28, 2021. YTD=year-to-date. ***Alternative Investments, such as hedge funds are not suitable for all investors. They are speculative and involve a high degree of risk that is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program.*** *Index returns do not represent* ***investment*** *performance or the results of actual trading.* Index returns reflect general market results, assume the reinvestment of dividends and other distributions and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. Unlike most asset class indices, HFR Index returns reflect deduction for fees. Because the HFR indices are calculated based on information that is voluntarily provided actual returns may be higher or lower. than those reported. **Past performance is no guarantee of future results.** Please see the end of this presentation for the definitions of the indices and a description of the asset class risks.

Where Wells Fargo Investment Institute (WFII) differs from consensus

- We have a favorable view of the S&P 500 Information Technology, Communication Services, Consumer Discretionary, Financials, Industrials and the Materials sectors.
- We are above consensus for large-cap earnings per share (EPS) at $190 for 2021.
- Our 2021 small-cap EPS of $72 is above the consensus of $64. Our 2021 ($88) emerging market EPS is slightly below consensus of $84.
- Our gold year-end 2021 target reflects a more positive outlook than consensus for the key commodity. After having a higher oil forecast than the street for many months, consensus has now caught up with our 2021 year end oil target.
- We believe that the commodity price collapse associated with the oil-price drop and coronavirus-associated demand destruction provided an attractive tactical opportunity. We upgraded commodities to favorable in mid-March 2020 which was counter consensus.
- Our 10-year and 30-year U.S. Treasury yield year-end 2021 target reflects a more upbeat estimate than consensus.

Source: Wells Fargo Investment Institute; March 15, 2021. Subject to change. Forecasts are not guaranteed and based on certain assumptions and on views of market and economic conditions, which are subject to change.

Key points

In our view:

- We anticipate an economic recovery of 5.7 percent in the U.S. and 6.0 percent globally in 2021.
- We believe that the U.S. economy was on good footing prior to the coronavirus outbreak. We expect the pandemic to have caused a short, but deep recession with a modest recovery in 2021.
- The Federal Reserve cut interest rates to zero in 2020. We expect them to remain accommodative going into 2021.
- While we expect equity prices to rise from current levels, the ride likely will be bumpy.
- We suggest investors remain invested and look for opportunities during bouts of volatility.

Sources: Wells Fargo Securities Economics Group, Wells Fargo Investment Institute; March 15, 2021. Subject to change. Forecasts are not guaranteed and based on certain assumptions and on views of market and economic conditions, which are subject to change.

Today's agenda

Where are we in this economic cycle?

Where are we in this market?

Investment strategies to consider in portfolios

Tactical strategy

- We believe all investors should establish their strategic asset allocation.
- Some investors may want to make tactical adjustments to potentially take advantage of short-term market trends.

Global fixed income	
Cash Alternatives	Neutral
U.S. Taxable Investment Grade FI	Unfavorable
U.S. Short Term Taxable FI	Most Unfavorable
U.S. Intermediate Term Taxable FI	Neutral
U.S. Long Term Taxable FI	Unfavorable
U.S. High Yield FI	**Neutral**
Developed Market Ex.-U.S. FI	Neutral
Emerging Market FI	Neutral
Global equity	
U.S. Large Cap Equity	Favorable
U.S. Mid Cap Equity	Neutral
U.S. Small Cap Equity	Favorable
Developed Market Ex.-U.S. Equity	Most Unfavorable
Emerging Market Equity	Favorable

Global real assets	
Private Real Estate*	Unfavorable
Commodities	Favorable
Global alternative investments*	
Hedge Funds—Relative Value	Neutral
Hedge Funds—Macro	Neutral
Hedge Funds—Event Driven	Neutral
Hedge Funds—Equity Hedge	Favorable
Private Debt	Favorable
Private Equity	Neutral

Because of the illiquid and complex nature of private placement hedge funds, Wells Fargo Investment Institute will no longer provide tactical percentage guidance for these asset classes. We will instead provide guidance that may be incorporated into portfolios over a longer period of time.

Source: Wells Fargo Investment Institute, March 15, 2021. **Boldface** indicates the most recent changes.

*Alternative investments, such as hedge funds, private capital and private real estate funds are not suitable for all investors and are only open to “accredited” or “qualified” investors within the meaning of the U.S. securities laws. They are speculative and involve a high degree of risk that is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program.

Tactical strategy

- We believe all investors should establish their strategic asset allocation.
- Some investors may want to make tactical adjustments to potentially take advantage of short-term market trends.

S&P sector strategy	
Communication Services	Favorable
Consumer Discretionary	Favorable
Consumer Staples	**Most Unfavorable**
Energy	Neutral
Financials	Favorable
Health Care	**Neutral**
Industrials	Favorable
Information Technology	Favorable
Materials	Favorable
Real Estate	Unfavorable
Utilities	**Most Unfavorable**

International equity strategy by region	
Europe Region	Unfavorable
Pacific Region	Favorable
Emerging Asia	Favorable
Emerging Europe, Middle East and Africa Region	Unfavorable
Latin America Region	Neutral

Style strategy	
Growth	Neutral
Value	Neutral

Source: Wells Fargo Investment Institute, March 15, 2021. **Boldface** indicates the most recent changes.

Strategic asset allocation does not guarantee investment returns or eliminate risk of loss.

Tactical strategy

- We believe all investors should establish their strategic asset allocation.
- Some investors may want to make tactical adjustments to potentially take advantage of short-term market trends.

Fixed income sector strategy	
Duration	Neutral
U.S. Government	Unfavorable
Credit	**Neutral**
Securitized	Favorable
U.S. Municipal Bonds	Favorable

Taxable sector strategy	
Treasury Securities	Unfavorable
Agencies	Neutral
Inflation-Linked Fixed Income	Neutral
Corporate Securities	**Neutral**
Preferred Securities	Favorable
Residential MBS	Favorable
Commercial MBS	Neutral
Asset Backed Securities	Neutral

Tax-exempt sector strategy	
Taxable Municipal	Favorable
State and Local General Obligation	Neutral
Essential Service Revenue	Favorable
Pre-Refunded	Unfavorable

Source: Wells Fargo Investment Institute, March 15, 2021. **Boldface** indicates the most recent changes.

Strategic asset allocation does not guarantee investment returns or eliminate risk of loss.

Risk disclosures

Composition:

Moderate Growth and Income 3AG Portfolio: 3% Bloomberg Barclays U.S. Treasury Bills (1–3 Month) Index , 32% Bloomberg Barclays U.S. Aggregate Bond Index, 6% Bloomberg Barclays U.S. Corporate High Yield Bond Index, 5% JPM EMBI Global Index, 21% S&P 500 Index, 12% Russell Mid Cap Index, 8% Russell 2000 Index, 6% MSCI EAFE Index, 7% MSCI Emerging Markets Index.

Asset Class Risks:

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. All investing involves risk including the possible loss of principal.

Stocks offer long-term growth potential, but may fluctuate more and provide less current income than other investments. **Small and mid-sized company stocks** involve greater risks than those customarily associated with larger companies. They often involve higher risks because of smaller and mid-sized companies may lack the management expertise, financial resources, product diversification and competitive strengths to endure adverse economic conditions. . **Bonds** are subject to interest rate, credit/default, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates. **High yield fixed income** securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment grade fixed income securities. **Municipal bonds** offer interest payments exempt from federal taxes, and potentially state and local income taxes. Municipal bonds are subject to credit risk and potentially the Alternative Minimum Tax (AMT). Quality varies widely depending on the specific issuer. Municipal securities are also subject to legislative and regulatory risk which is the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income. **Treasury Inflation-Protected Securities (TIPS)**, are subject to interest rate risk, especially when real interest rates rise. This may cause the underlying value of the bond in the portfolio to fluctuate more than other fixed income securities. U.S. government securities are backed by the full faith and credit of the federal government as to payment of principal and interest if held to maturity and are subject to interest rate risk. **Foreign securities** entail special risks such as currency, political, economic, and market risks. These risks are heightened in emerging and frontier markets. **Commodities** may be affected by changes in overall market movements, commodity index volatility, changes in interest rates or factors affecting a particular industry or commodity. Investments in securities of **Master Limited Partnerships (MLPs)** involve risks that differ from investments in common stock including risks related to limited control and limited rights to vote on matters affecting the MLP, risks related to potential conflicts of interest between the MLP and the MLP’s general partner and cash flow risks, Other risks include the volatility associated with the use of leverage; volatility of the commodities markets; market risks; supply and demand; natural and man-made catastrophes; competition; liquidity; market price discount from NAV and other material risks. Investments in **infrastructure companies** expose an investment to potentially adverse economic, regulatory, political and other changes affecting such companies. Infrastructure companies may also be subject to various other risks, including, governmental regulations, high interest costs associated with capital construction programs, costs associated with compliance and changes in environmental regulation, economic slowdown and surplus capacity, competition from other providers of services and other factors. **Real estate** investing has special risks, including the possible illiquidity of the underlying property, credit risk, interest rate fluctuations and the impact of varied economic conditions

Risk disclosures (continued)

Communication services companies are vulnerable to their products and services becoming outdated because of technological advancement and the innovation of competitors. Companies in the communication services sector may also be affected by rapid technology changes; pricing competition, large equipment upgrades, substantial capital requirements and government regulation and approval of products and services. In addition, companies within the industry may invest heavily in research and development which is not guaranteed to lead to successful implementation of the proposed product. Risks associated with the **Consumer Discretionary** sector include, among others, apparel price deflation due to low-cost entries, high inventory levels and pressure from e-commerce players; reduction in traditional advertising dollars, increasing household debt levels that could limit consumer appetite for discretionary purchases, declining consumer acceptance of new product introductions, and geopolitical uncertainty that could affect consumer sentiment. **Consumer Staples** industries can be significantly affected by competitive pricing particularly with respect to the growth of low-cost emerging market production, government regulation, the performance of the overall economy, interest rates, and consumer confidence. The **Energy** sector may be adversely affected by changes in worldwide energy prices, exploration, production spending, government regulation, and changes in exchange rates, depletion of natural resources, and risks that arise from extreme weather conditions. Investing in the **Financial** services companies will subject an investment to adverse economic or regulatory occurrences affecting the sector. Some of the risks associated with investment in the **Health Care** sector include competition on branded products, sales erosion due to cheaper alternatives, research and development risk, government regulations and government approval of products anticipated to enter the market. There is increased risk investing in the **Industrials** sector. The industries within the sector can be significantly affected by general market and economic conditions, competition, technological innovation, legislation and government regulations, among other things, all of which can significantly affect a portfolio's performance. **Materials** industries can be significantly affected by the volatility of commodity prices, the exchange rate between foreign currency and the dollar, export/import concerns, worldwide competition, procurement and manufacturing and cost containment issues. **Real estate** investments have special risks, including possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions. Risks associated with the **Technology** sector include increased competition from domestic and international companies, unexpected changes in demand, regulatory actions, technical problems with key products, and the departure of key members of management. Technology and Internet-related stocks, especially smaller, less-seasoned companies, tend to be more volatile than the overall market. **Utilities** are sensitive to changes in interest rates, and the securities within the sector can be volatile and may underperform in a slow economy.

Alternative investments, such as hedge funds, private capital funds and private real estate funds, are speculative and entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds. Hedge fund, private capital and private real estate fund investing involves other material risks including capital loss and the loss of the entire amount invested. They are intended for qualified, financially sophisticated investors who can bear the risks associated with these investments.

Hedge fund strategies, such as Equity Hedge, Event Driven, Macro and Relative Value, may expose investors to the risks associated with the use of short selling, leverage, derivatives and arbitrage methodologies. Short sales involve leverage and theoretically unlimited loss potential since the market price of securities sold short may continuously increase. The use of leverage in a portfolio varies by strategy. Leverage can significantly increase return potential but create greater risk of loss. Derivatives generally have implied leverage which can magnify volatility and may entail other risks such as market, interest rate, credit, counterparty and management risks. Arbitrage strategies expose a fund to the risk that the anticipated arbitrage opportunities will not develop as anticipated, resulting in potentially reduced returns or losses to the fund.

Index definitions

Fixed Income

U.S. Taxable Inv Grade Fixed Inc: Bloomberg Barclays U.S. Aggregate Bond Index is unmanaged and is composed of the Bloomberg Barclays U.S. Government/Credit Index and the Bloomberg Barclays U.S. Mortgage-Backed Securities Index, and includes Treasury issues, agency issues, corporate bond issues, and mortgage-backed securities.

U.S. Municipal Fixed Inc: Bloomberg Barclays U.S. Municipal Index represents municipal bonds with a minimum credit rating of at least Baa, an outstanding par value of at least $3 million and a remaining maturity of at least one year. The index excludes taxable municipal bonds, bonds with floating rates, derivatives and certificates of participation.

U.S. High Yield Fixed Inc: Bloomberg Barclays U.S. Corporate High Yield Index covers the universe of fixed rate, non-investment grade debt.

U.S. Treasury Fixed Inc: Bloomberg Barclays U.S. Treasury Index is the U.S. Treasury component of the U.S. Government Index. The index consists of public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Developed ex-U.S. Fixed Inc: JPMorgan Global ex-U.S. Government Bond Index measures the performance of non-U.S. government bonds.

Emerging Market Fixed Income: JPMorgan Emerging Markets Bond Index (EMBI Global) currently covers 27 emerging market countries. Included in the EMBI Global are U.S.-dollar-denominated Brady bonds, Eurobonds, traded loans, and local market debt instruments issued by sovereign and quasi-sovereign entities.

Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non-convertible.

Bloomberg Barclays Mortgage Backed Securities (MBS) Index is an unmanaged index of mortgage pools of the Government National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association.

Bloomberg Barclays US Aggregate Bond Index is a broad-based measure of the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

Bloomberg Barclays U.S. Aggregate Corporate Bond Index includes publicly issued U.S. corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

Bloomberg Barclays U.S. Investment Grade Bond Index measures the performance of the investment grade corporate bond market.

Bloomberg Barclays U.S. Municipal High Yield Index measures the non-investment-grade and nonrated U.S.-dollar-denominated, fixed-rate, tax-exempt bond market within the 50 United States and four other qualifying regions (Washington, D.C.; Puerto Rico; Guam; and the Virgin Islands). The index allows state and local general obligation, revenue, insured, and prerefunded bonds; however, historically, the index has been comprised of mostly revenue bonds. The U.S. Municipal High Yield Index is a stand-alone index with no crossover into other Bloomberg Barclays taxable Indexes, such as the U.S. High Yield Index.

Bloomberg Barclays U.S. TIPS Index consists of Inflation-Protection securities issued by the U.S. Treasury.

Bloomberg Barclays Global Aggregate Bond Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Index definitions (continued)

Equities

U.S. Large Cap Equity: S&P 500 Index is a capitalization-weighted index calculated on a total return basis with dividends reinvested. The index includes 500 widely held U.S. market industrial, utility, transportation and financial companies.

U.S. Mid Cap Equity: Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 27 percent of the total market capitalization of the Russell 1000 companies.

U.S. Small Cap Equity: Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately eight percent of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

Developed Market ex-U.S. Equity: MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

Emerging Market Equity: MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Frontier Market Equity: MSCI Frontier Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of frontier markets. The MSCI Frontier Markets Index consists of 24 frontier market country indexes.

Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

Russell 1000® Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. The **Russell 3000 Index** measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

MSCI All Country World Index (ACWI) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The Index consists of 46 country indices comprising 23 developed and 23 emerging market country indices.

MSCI Australia Index is designed to measure the performance of the large and mid cap segments of the Australia market. With 70 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Australia.

MSCI Brazil Index is designed to measure the performance of the large and mid-cap segments of the Brazilian market. With 75 constituents, the index covers about 85% of the Brazilian equity universe.

MSCI China Index captures large and mid-cap representation across China H shares, B shares, Red Chips and P Chips. With 140 constituents, the index covers about 85% of the China equity universe.

Index definitions (continued)

MSCI Germany Index is designed to measure the performance of the large and mid cap segments of the German market. With 54 constituents, the index covers about 85% of the equity universe in Germany.

MSCI United Kingdom Index is designed to measure the performance of the large and mid cap segments of the UK market. With 112 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the UK.

MSCI U.S. Equity Indexes are a domestic only series - independent from MSCI's Global Equity Index family – which reflect the investment opportunities in the US equity markets by market capitalization size, by value and growth investment styles and by sectors and industries.

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Real Assets

Commodities: Bloomberg Commodity Index is comprised of 23 exchange-traded futures on physical commodities weighted to account for economic significance and market liquidity.

Public Real Estate: FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real-estate companies and REITs in developed countries worldwide.

The S&P Global Infrastructure Index is designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities.

Alerian MLP Index is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

Hedge Funds

Global Hedge Funds: HFRI Fund Weighted Composite Index is a global, equal-weighted index of over 2,000 single-manager funds that report to HFR Database. Constituent funds report monthly net-of-all-fees performance in U.S. dollars and have a minimum of $50 million under management or a 12-month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds. The HFRI Fund Weighted Composite Index is a composite of the hedge funds that employ the alternative strategies and who report their performance figure to HFRI. The number of hedge funds reporting may vary between each reporting period.

HFRI Equity Hedge Index: Investment Managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. EH managers would typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities, both long and short. The HFRI Equity Hedge Index is a composite of the hedge funds that employ the alternative strategies and who report their performance figure to HFRI. The number of hedge funds reporting may vary between each reporting period.

Index definitions (continued)

HFRI Event Driven Index: Investment Managers who maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event Driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

HFRI Macro Index: Investment Managers which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods. Although some strategies employ RV techniques, Macro strategies are distinct from RV strategies in that the primary investment thesis is predicated on predicted or future movements in the underlying instruments, rather than realization of a valuation discrepancy between securities. In a similar way, while both Macro and equity hedge managers may hold equity securities, the overriding investment thesis is predicated on the impact movements in underlying macroeconomic variables may have on security prices, as opposes to EH, in which the fundamental characteristics on the company are the most significant are integral to investment thesis.

HFRI Relative Value Index maintains positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. RV position may be involved in corporate transactions also, but as opposed to ED exposures, the investment thesis is predicated on realization of a pricing discrepancy between related securities, as opposed to the outcome of the corporate transaction.

Note: HFRI Indices have limitations (some of which are typical of other widely used indices). These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and, therefore, the index may omit funds, the inclusion of which might significantly affect the performance shown. The HFRI Indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways. Returns of the underlying hedge funds are net of fees and are denominated in USD.

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