



## **2023 Annual Outlook**

The U.S. Economy: Setting The Stage For  
A Strong Business Cycle

-- For Financial Professionals Only --

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# Agenda



- » Preliminary Performance
- » Broad Outlook
- » Investment Implications
- » Recent Activity
- » Current Portfolio Allocations
- » The Cash Indicator



## PRELIMINARY MANAGER COMPOSITE (GROSS) VS BENCHMARK: DECEMBER 2022

	Yield	YTD	1-YR Trailing	3-YRS Trailing	5-YRS Trailing	7-YRS Trailing	10-YRS Trailing	Since Inception (9/1/2008)			
								Trailing Return	Standard Deviation	Beta	Alpha
Stringer AM Growth - Gross	2.52%	-17.46%	-17.46%	3.74%	4.48%	7.06%	7.36%	6.23%	14.57%	0.84	<b>0.68%</b>
MSCI ACWI Index	0.80%	-18.36%	-18.36%	4.00%	5.23%	8.10%	7.98%	6.26%	17.04%	1.00	-
Stringer AM Moderate Growth – Gross	2.41%	-13.91%	-13.91%	2.40%	3.50%	5.56%	5.85%	5.66%	10.41%	0.89	<b>0.71%</b>
65% MSCI ACWI - 35% BC Agg Index	1.35%	-16.33%	-16.33%	2.19%	3.83%	5.88%	5.79%	5.44%	11.44%	1.00	-
Stringer AM Conservative Growth – Gross	2.30%	-13.95%	-13.95%	1.08%	2.53%	4.36%	4.72%	5.04%	8.20%	0.87	<b>0.63%</b>
50% MSCI ACWI - 50% BC Agg Index	1.59%	-15.51%	-15.51%	1.23%	3.08%	4.82%	4.77%	4.94%	9.16%	1.00	-

	Yield	YTD	1-YR Trailing	3-YRS Trailing	5-YRS Trailing	7-YRS Trailing	10-YRS Trailing	Since Inception (7/1/2015)			
								Trailing Return	Standard Deviation	Beta	Alpha
Stringer AM Income w/ Growth – Gross	2.33%	-12.00%	-12.00%	-0.88%	1.13%	2.45%	-	1.82%	6.66%	0.90	<b>-1.20%</b>
35% MSCI ACWI - 65% BC Agg Index	1.83%	-14.72%	-14.72%	0.16%	2.26%	3.70%	-	3.29%	6.93%	1.00	-

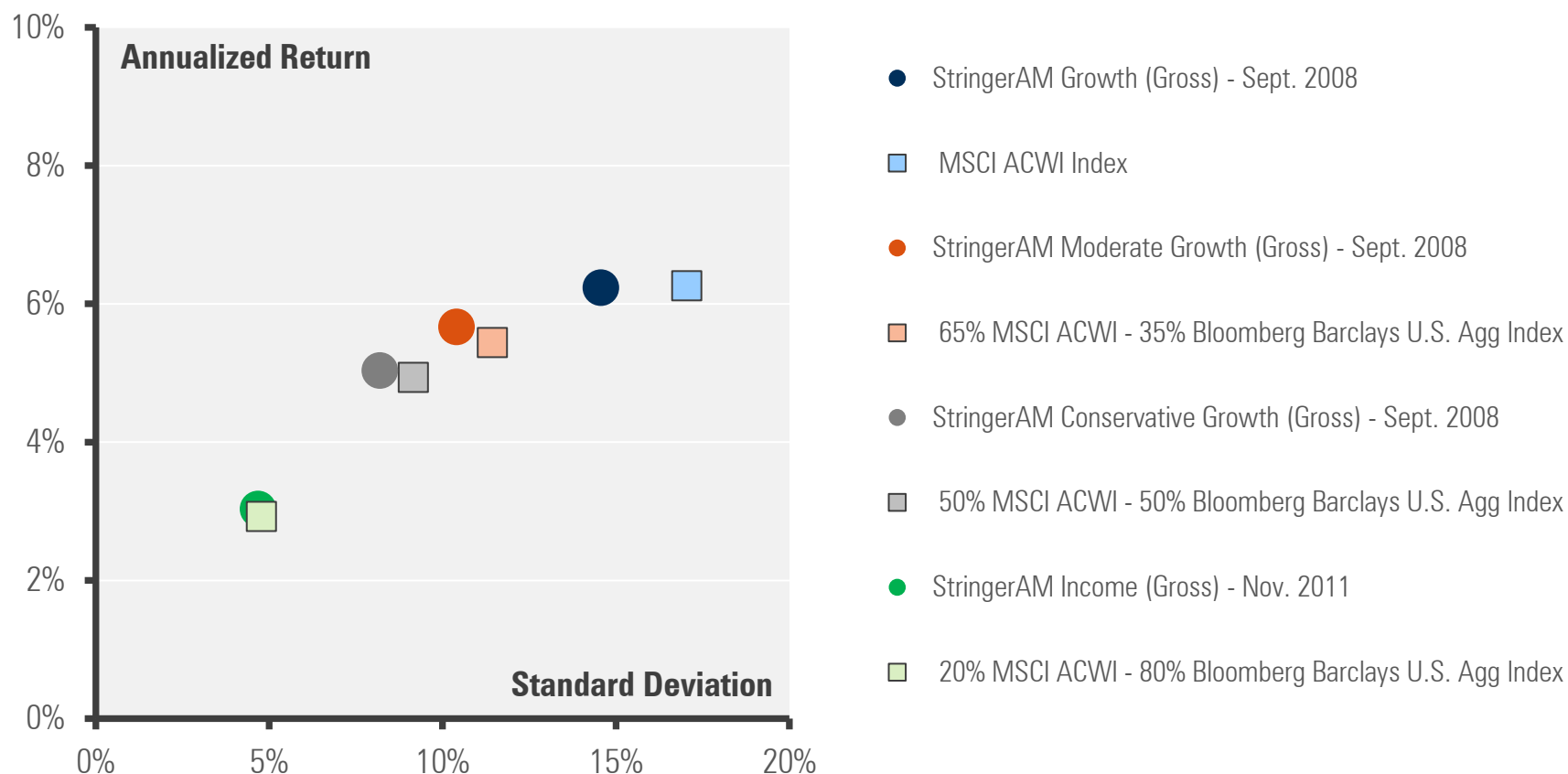
	Yield	YTD	1-YR Trailing	3-YRS Trailing	5-YRS Trailing	7-YRS Trailing	10-YRS Trailing	Since Inception (11/1/2011)			
								Trailing Return	Standard Deviation	Beta	Alpha
Stringer AM Income – Gross	2.32%	-11.37%	-11.37%	-1.34%	0.81%	2.26%	2.43%	3.03%	4.68%	0.89	<b>0.34%</b>
20% MSCI ACWI - 80% BC Agg Index	2.07%	-13.97%	-13.97%	-1.01%	1.35%	2.53%	2.60%	2.93%	4.77%	1.00	-

	Yield	YTD	1-YR Trailing	3-YRS Trailing	5-YRS Trailing	7-YRS Trailing	10-YRS Trailing	Since Inception (9/1/2015)			
								Trailing Return	Standard Deviation	Beta	Alpha
Stringer AM Tactical Opps - Gross	2.73%	-21.71%	-21.71%	6.22%	4.57%	6.33%	-	5.28%	15.01%	0.90	<b>-1.75%</b>
MSCI ACWI Index	0.80%	-18.36%	-18.36%	4.00%	5.23%	8.10%	-	7.90%	15.58%	1.00	-

Sources: Stringer Asset Management and Morningstar. Performance data quoted represents past performance and is for illustrative purposes only. **Past performance is not a guarantee of future results.** The total returns presented are gross of fees. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. Returns include the reinvestment of income. The indices represented do not bear transaction costs or management fees, and cannot be actually bought or sold. To the extent a shareholder pays sales charges, the performance shown would be less. All indices are unmanaged and investors can not invest directly in an index. For index definitions, see the Index Definitions section at the end of this document. Please refer to the important disclosures found at the end of this document.

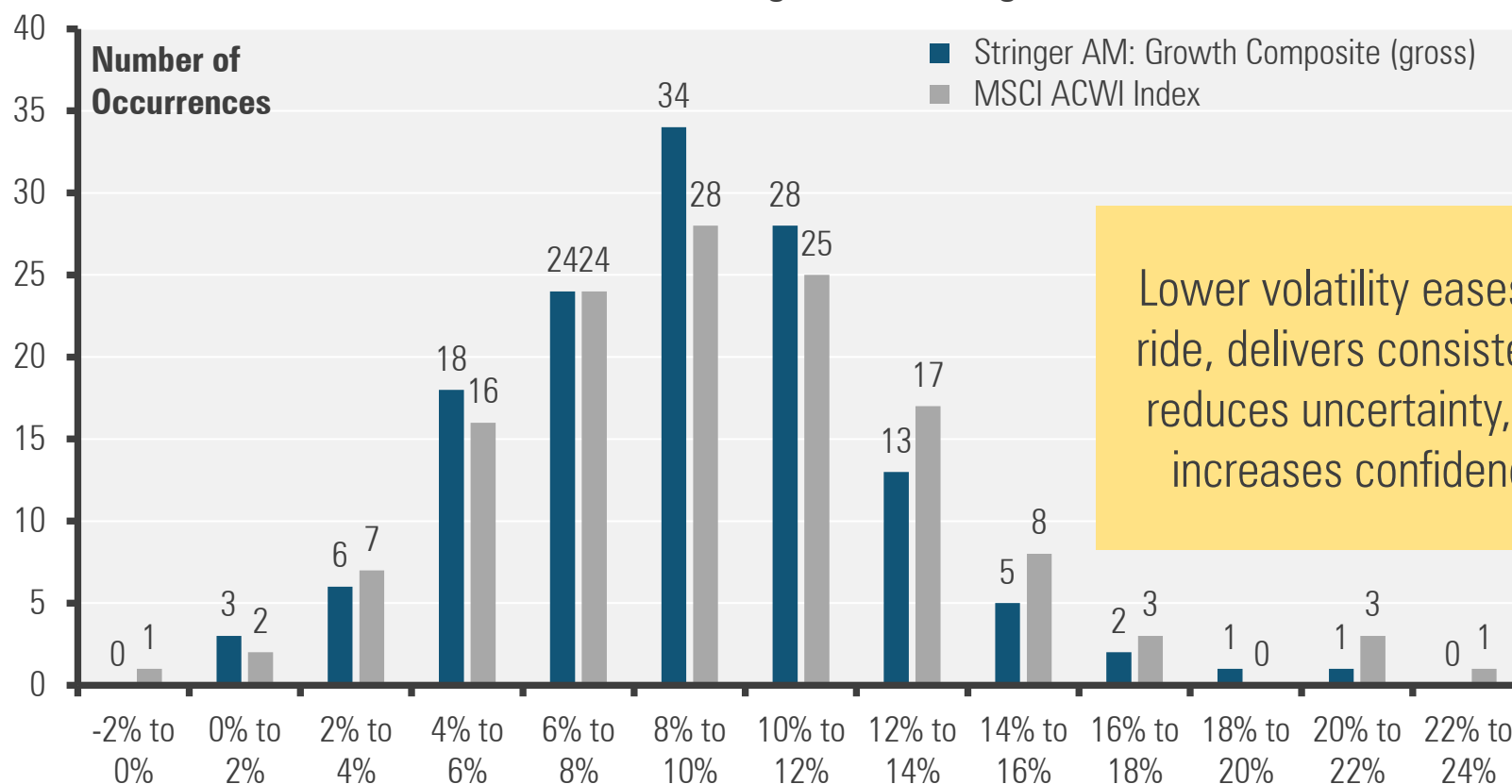
## RISK/REWARD PLOT<sup>1</sup>: SINCE INCEPTION TO DECEMBER 2022



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# Taking Investment Strategies to the Next Level With a Focus on Behavioral Finance

## 36-Month Rolling Return Histogram



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## BROAD OUTLOOK

- » As the U.S. and global economies now deal with the aftereffects of massive fiscal and monetary overstimulation, the conversation shifts to the depth and length of the consequential recession.
- » However, our focus remains on how we incorporate that information into investment strategies.
- » We have developed a few broad themes for 2023, and one of our top themes is the surprising pace at which we expect headline inflation (CPI) to fall.
- » Declining inflationary pressure should pull long-term interest rates down.
- » On the other side of this near-term malaise, we expect the U.S. economy to begin a new long and high-quality business cycle.
- » Our longer-term, strategic forecasts for equity and fixed income market returns are quite optimistic.
- » History tells us that market timing does not work, so we remain invested with an emphasis on defense.
- » We also know that the equity markets usually bottom before the economic turmoil is over and during still extremely negative economic headlines.
- » While our Strategies are defensively positioned today, we are ready to redeploy assets opportunistically when the time arises.



BROAD OUTLOOK				
	U.S.	Europe	Japan	Emerging Markets
Monetary Conditions	Tightening	Tightening	Expansionary	Mixed
Fiscal Conditions	Supportive	Supportive	Expansionary	Mixed
Leading Economic Indicators	Softening	Softening	Softening	Softening
Equity Valuations	Attractive	Attractive	Attractive	Attractive
<b>Overall</b>	<b>Cautious</b>	<b>Cautious</b>	<b>Cautiously Optimistic</b>	<b>Cautious</b>

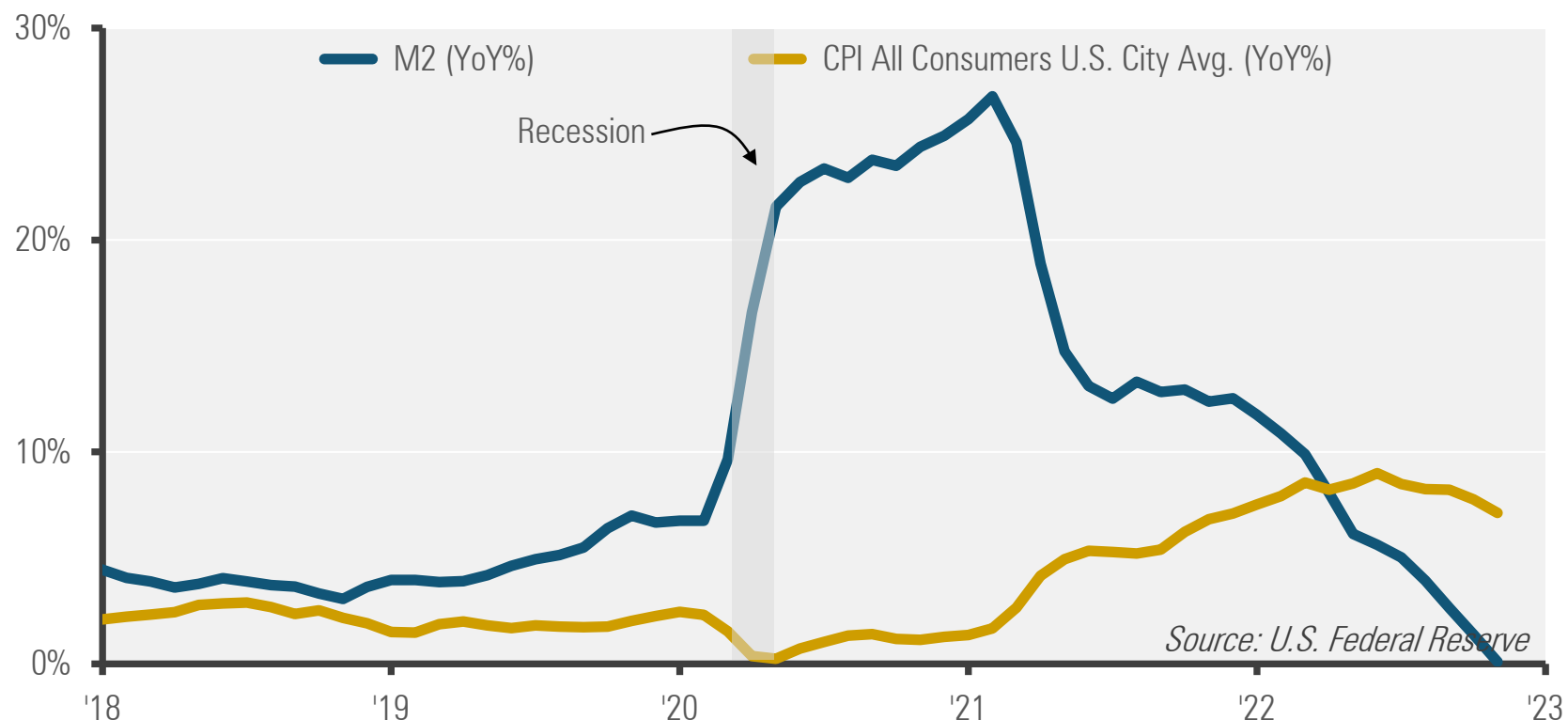
## SAMPLE OF RECENT ADDITIONS

- » We recently made changes to our Strategies to potentially help make them more resilient to economic and market turbulence.
- » Economic momentum has continued to fade according to several measures including leading economic indicators.
- » While these datapoints are showing stronger economic output than during the depths of the last two economic downturns, persistent economic weakness may stress the market for private sector debt, such as asset-backed and mortgage-backed securities, as well as corporate bonds.
- » As a result, we sold our allocations in these types of securities in favor of additional U.S. Treasury bond exposure, which we think can perform better during times of economic and market stress.
- » Additionally, we swapped a few other securities to further refine our exposures for the coming year.

# M2 & CPI Change

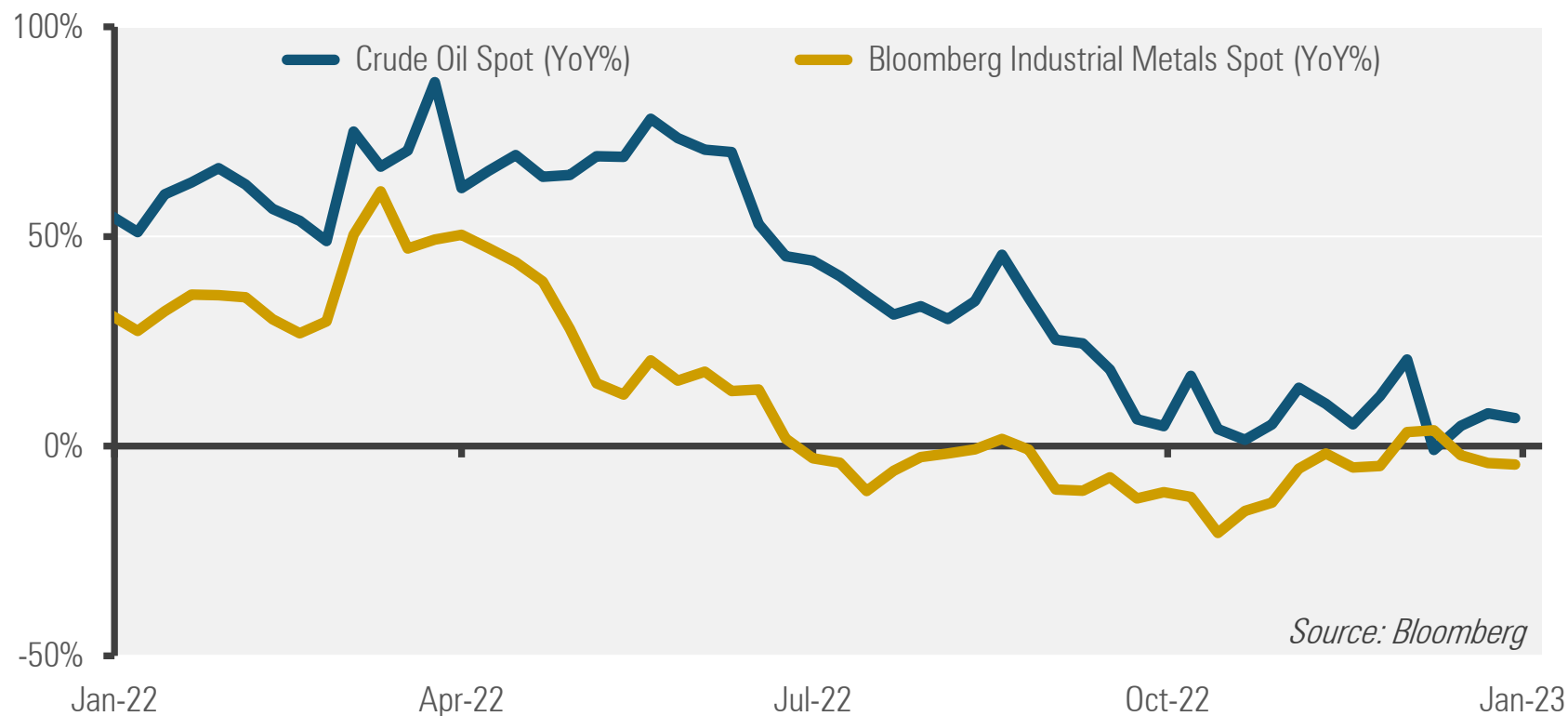


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ASSET MANAGEMENT



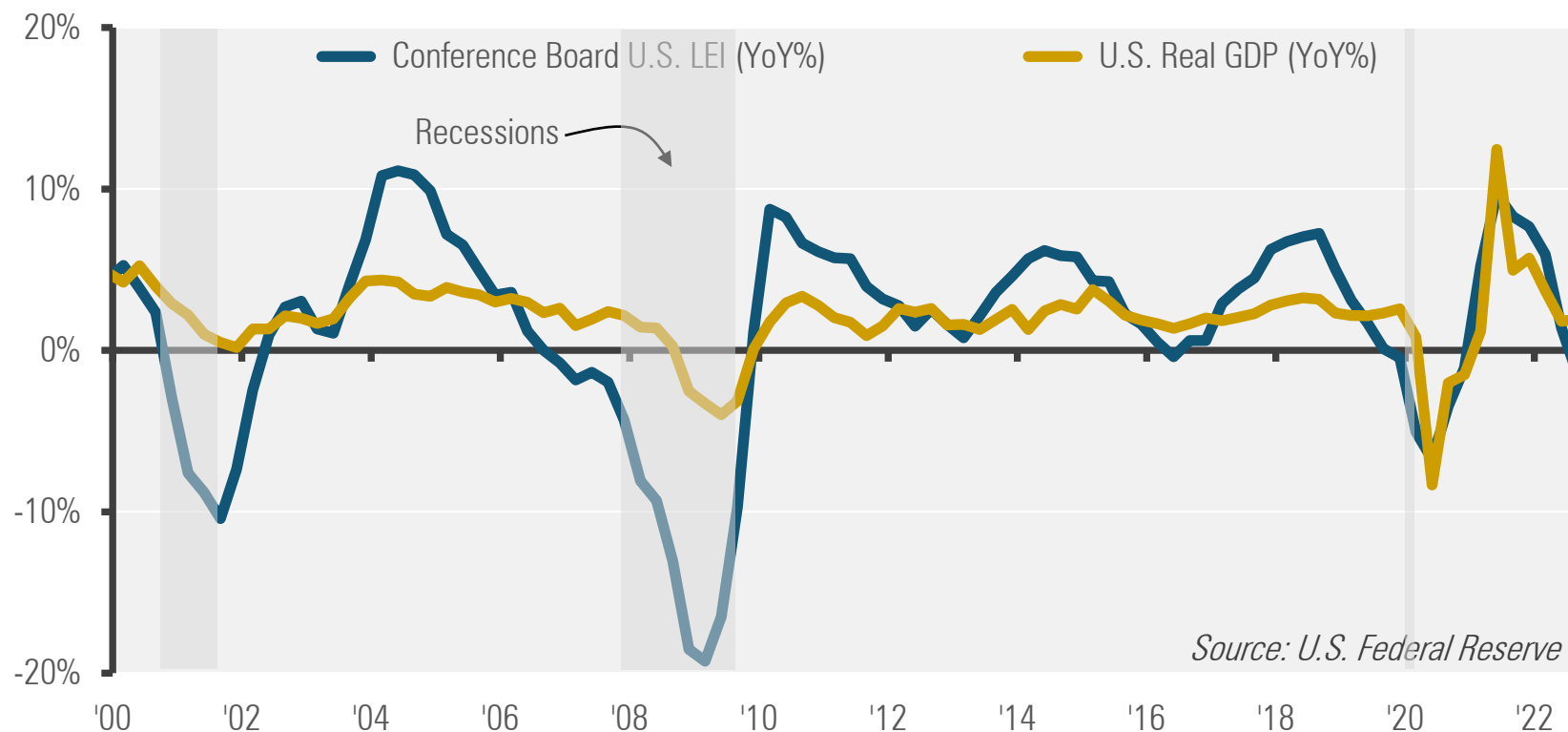
- » As the U.S. and global economies now deal with the aftereffects of massive fiscal and monetary overstimulation, the conversation shifts to the consequential recession.
- » One of our top themes is the surprising pace at which we expect headline inflation (CPI) to fall.
- » The spike in CPI was primarily driven by the fast rise in broad money (M2) growth.
- » The opposite side of the coin is also true as the collapse in the growth rate of M2 should be followed by a deceleration in the rate of headline CPI.

# Prices of Crude Oil & Industrial Metals



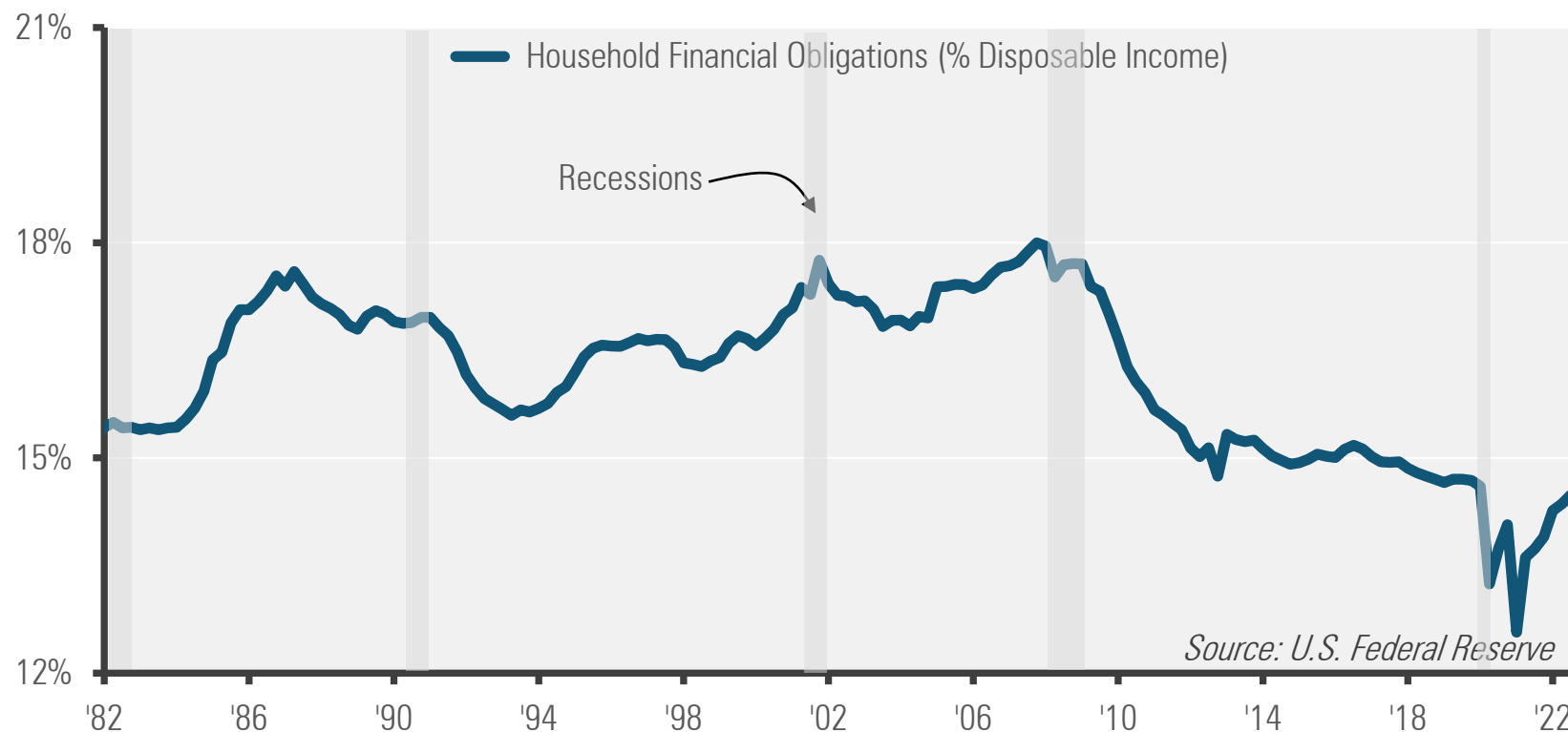
- » Additionally, oil prices have stabilized, and the prices of industrial metals have declined year-over-year despite their recent bounce.
- » These trends are disinflationary and should help pull headline inflation down as well.

# Leading Indicators and U.S. Real GDP



- » Finally, slowing economic growth reduces inflationary pressure overall.
- » The Conference Board's Leading Economic Index has declined for seven months, which suggests challenges ahead.

# Household Financial Obligations



- » Looking beyond the near-term outlook and potential for near-term economic malaise, we expect the U.S. economy to begin a new long and high-quality business cycle.
- » One of the key drivers underpinning our expected U.S. success on the other side of these near-term challenges is the relative strength of household balance sheets.
- » In fact, U.S. household finances in aggregate are in far better shape compared to previous late business cycle environments, such as in 1990, 2001, and especially 2007.

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## INVESTMENT IMPLICATIONS

- » Our work suggests that we should expect a roughly 8% annualized total return from equities based on the current earnings yield and dividend yield.
- » Similarly, the current yield to worst of approximately 5% for investment grade core fixed income looks like a good expectation for average annualized total returns over the next several years.
- » We know from history that market timing does not work, so we remain invested with an emphasis on defense.
- » We think that core investment grade bonds are the most attractive they have been since 2007.
- » To benefit from expected decline in interest rates, we have increased the interest rate sensitivity of our Strategies using intermediate and longer duration Treasury ETFs.
- » With the economic challenges ahead, earnings consistency should be at a premium, therefore, we are generally overweight sectors that should be more resilient to economic challenges, such as the healthcare and consumer staples sectors, as we navigate to and through what we believe will be a potentially shallow and short recessionary period.
- » Our current economic and market environment may require endurance and discipline to navigate.
- » We will continue to follow our *Three Layers of Risk Management: Strategic, Tactical, and Cash Indicator* as we forge ahead.

## INVESTMENT OUTLOOK SUMMARY | FAVORED CHOICES

<b>EQUITY</b>	<b>U.S.</b> » consumer staples, financials, health care, information technology <b>Global</b> » low volatility, quality
<b>FIXED INCOME</b>	short and intermediate-duration asset-backed and mortgage-backed securities, floating rate, short, intermediate, and longer-duration Treasuries, taxable munis
<b>ALTERNATIVES</b>	managed futures, master limited partnerships (MLPs), put option overlay strategies

This material is for informational purpose only. Investments discussed may not be suitable for all investors. No part of the authors' compensation was, is, or will be directly or indirectly related to the specific views contained in this report. Information provided is obtained from sources deemed to be reliable; but is not represented as complete, and its accuracy is not guaranteed. The information and opinions given are subject to change at any time, based on market and other conditions, and are not recommendations of or solicitations to buy or sell any security. Opinions and forecasts expressed herein may not actually occur. **Past performance is not indicative of future results. The securities identified and described may not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.**



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# Recent Activity



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## NET TRADE SUMMARY: OCTOBER TO DECEMBER 2022 (EXCLUDING CASH)

	Growth		ModGrowth		ConGrowth		IncGrowth		Income	
	Weight	Action	Weight	Action	Weight	Action	Weight	Action	Weight	Action
DoubleLine Opportunistic Bond (DBND)	-	-	-	-	-	-	-	-	8.5%	BUY
FirstTrust Managed Futures (FMF)	5.0%	BUY	-	-	-	-	-	-	-	-
FlexShares Global Infrastructure (NFRA)	-	-	4.0%	BUY	3.0%	BUY	-	-	-	-
FlexShares Quality Dividend Index (QDF)	-	-	-	-	-	-	4.0%	BUY	3.0%	BUY
Global X MLP ETFs (MLPA)	5.0%	BUY	4.0%	BUY	3.0%	BUY	-	-	-	-
iShares 10-20 Year Treasury Bond (TLH)	7.0%	BUY	6.5%	BUY	9.5%	BUY	11.0%	BUY	13.0%	BUY
iShares 1-3 Treasury Bond (SHY)	-	-	-	-	-	-	3.0%	BUY	5.0%	BUY
iShares MSCI Intl Momentum (IMTM)	-	-	4.0%	BUY	3.0%	BUY	4.0%	BUY	-	-
Fidelity High Dividend ETF (FDVV)	-	-	-	-	-	-	2.0%	ADD	2.0%	ADD
Invesco R1000 Dynamic Multi (OMFL)	2.0%	ADD	1.5%	ADD	2.0%	ADD	-	-	-	-
iShares 3-7 Treasury Bond (IEI)	-	-	3.0%	ADD	11.0%	ADD	4.0%	ADD	4.0%	ADD
iShares 7-10 Treasury Bond (IEF)	-	-	6.5%	ADD	5.0%	ADD	11.0%	ADD	16.0%	ADD
iShares MSCI Global Min Vol (ACWV)	2.0%	ADD	2.0%	ADD	-	-	3.0%	BUY	-	-

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	Growth		ModGrowth		ConGrowth		IncGrowth		Income	
	Weight	Action	Weight	Action	Weight	Action	Weight	Action	Weight	Action
SPDR Portfolio Aggregate Bond (SPAB)	-	-	-9.0%	TRIM	-14.5%	TRIM	-10.0%	TRIM	-24.5%	SELL
Technology Select Sector SPDR (XLK)	-2.0%	TRIM	-2.0%	TRIM	-3.0%	TRIM	-	-	-	-
FirstTrust Low Duration Opp (LMBS)	-	-	-	-	-	-	-6.0%	SELL	-7.0%	SELL
FirstTrust Multi-Asset Income (MDIV)	-6.0%	SELL	-5.0%	SELL	-	-	-	-	-	-
FirstTrust Preferred Securities (FPE)	-5.0%	SELL	-	-	-	-	-	-	-	-
FlexShares Dividend Defensive (QDEF)	-	-	-	-	-	-	-4.0%	SELL	-3.0%	SELL
Goldman Sachs ActiveBeta Intl (GSIE)	-	-	-4.0%	SELL	-3.0%	SELL	-4.0%	SELL	-	-
iShares MSCI Min Vol USA (USMV)	-	-	-	-	-	-	-3.0%	SELL	-	-
iShares Multi-Asset Income ETF (IYLD)	-	-	-	-	-4.0%	SELL	-4.0%	SELL	-4.0%	SELL
Newfleet Multi-Sector Income (MINC)	-	-	-3.0%	SELL	-4.0%	SELL	-4.0%	SELL	-4.0%	SELL
Overlay Shares Core Bond (OVB)	-	-	-	-	-	-	-5.0%	SELL	-7.0%	SELL
Simplify Managed Futures (CTA)	-6.0%	SELL	-4.0%	SELL	-4.0%	SELL	-	-	-	-
Simplify US Equity Convexity ETF (SPD)	-6.0%	SELL	-4.5%	SELL	-4.0%	SELL	-4.0%	SELL	-3.0%	SELL

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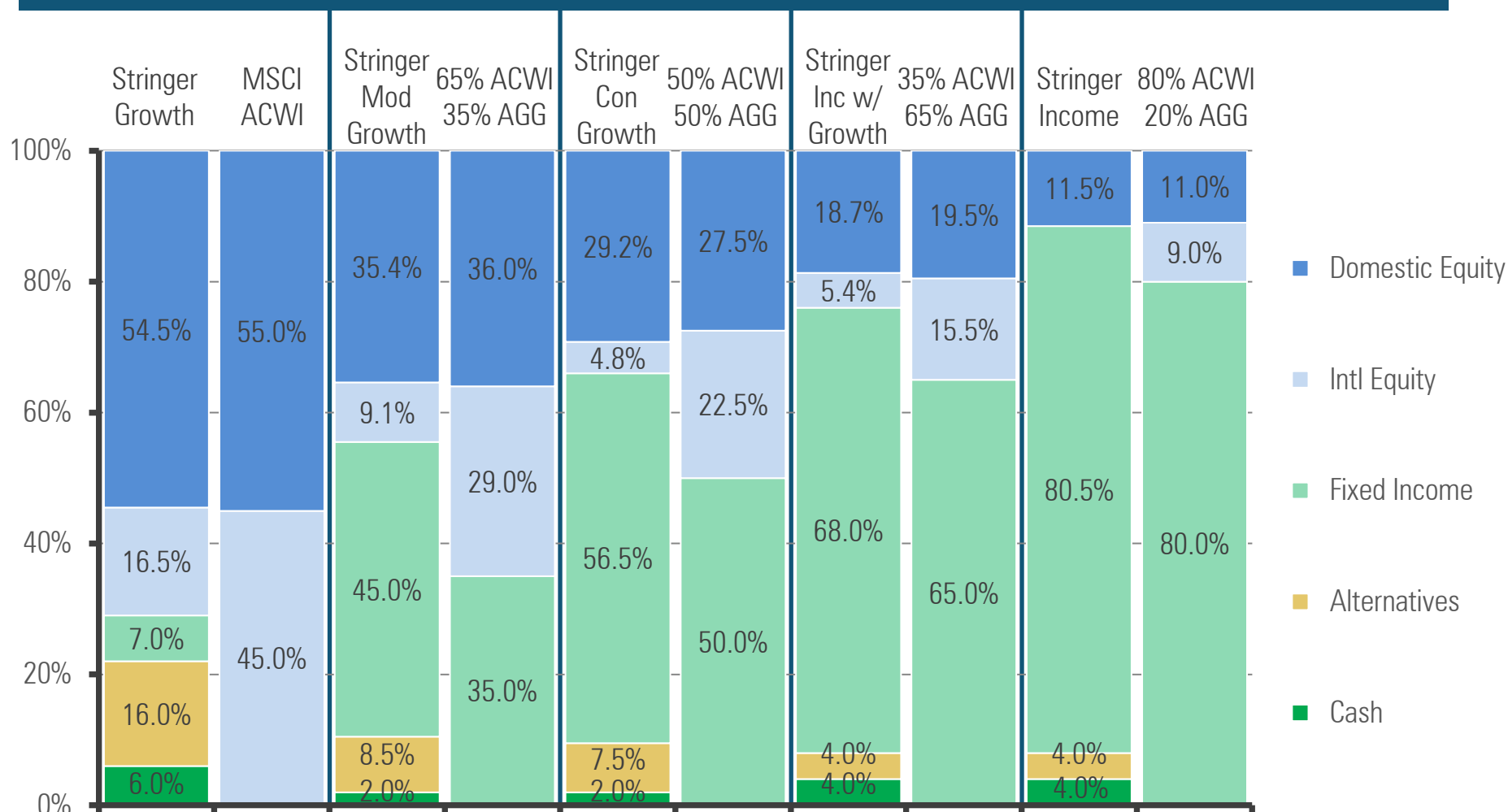
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# Current Portfolio Allocations

## BROAD ASSET ALLOCATION AS OF DECEMBER 2022



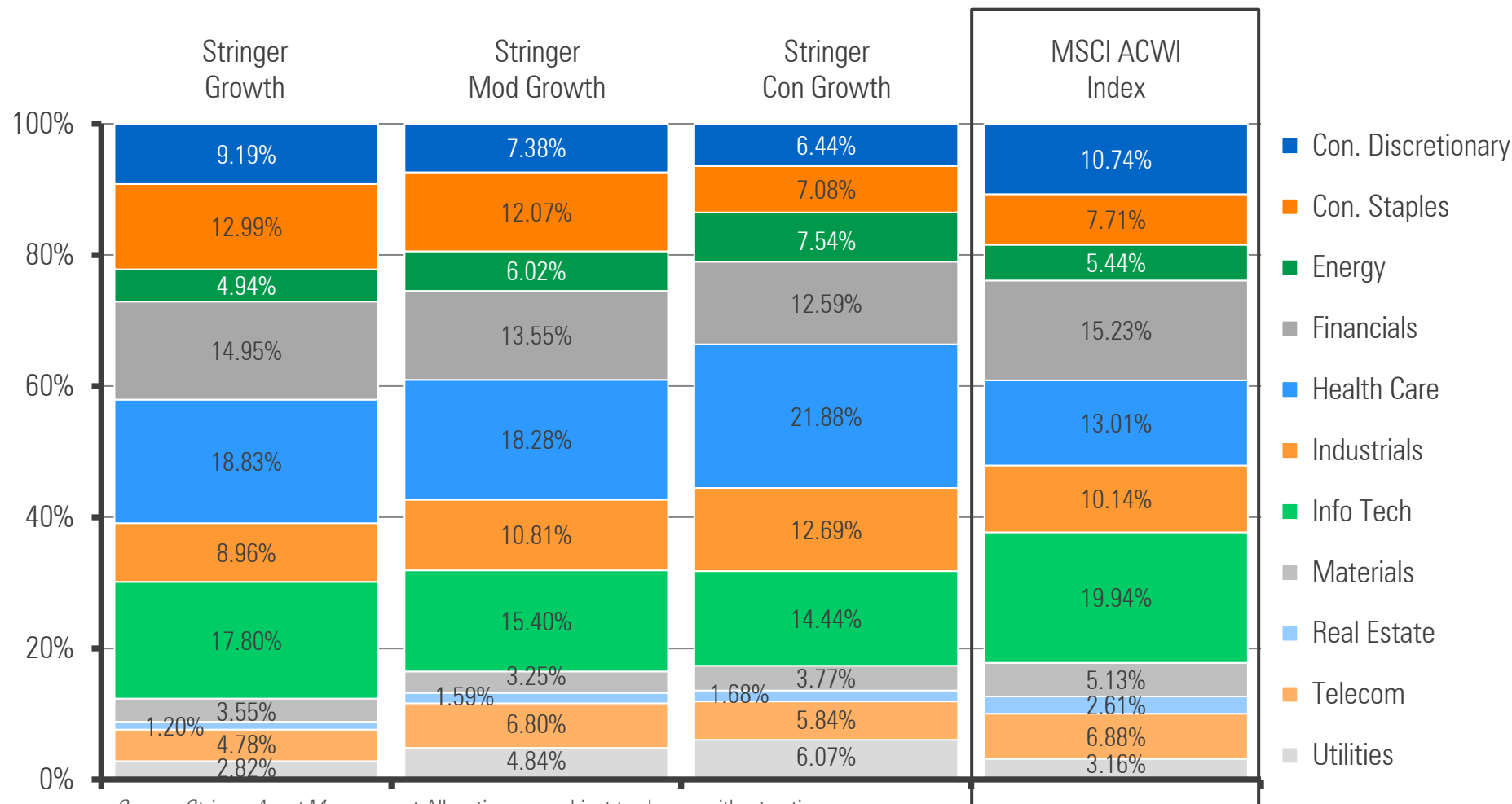
Source: Stringer Asset Management. Allocations are subject to change without notice.

# Current Portfolio Allocations



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## TRADITIONAL EQUITY SECTOR ALLOCATION AS OF DECEMBER 2022



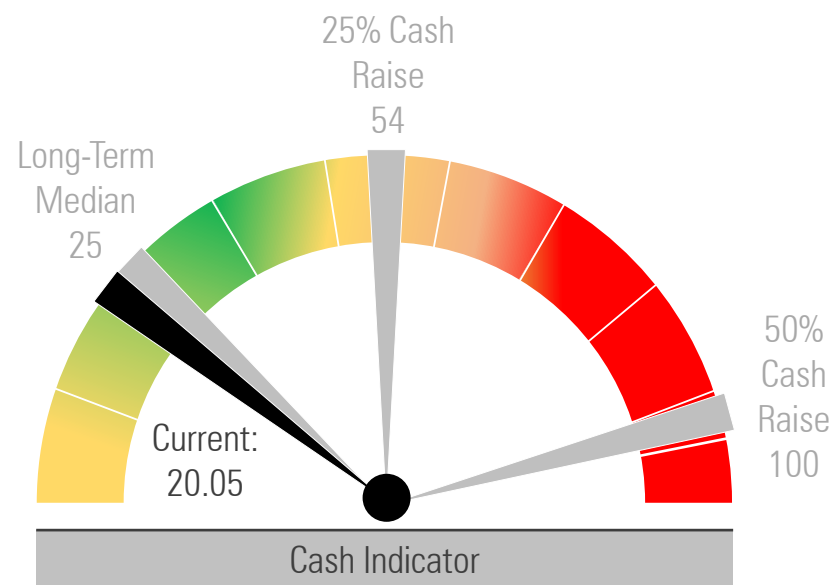
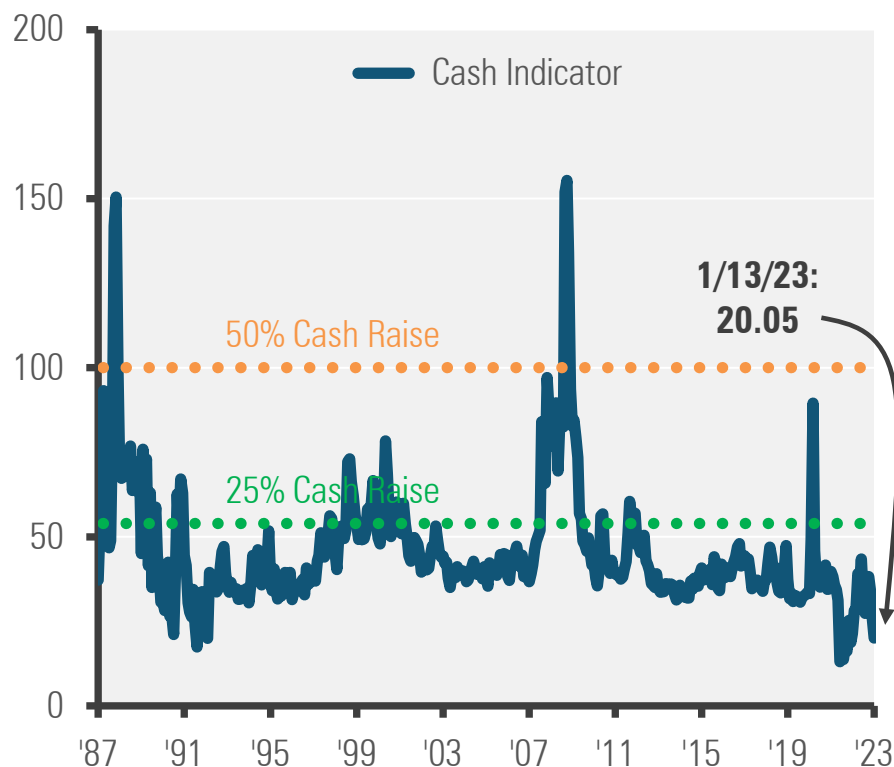


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# The Cash Indicator



Source: Bloomberg and Stringer Asset Management

- » The Cash Indicator (CI) is a valuable tool to help identify systematic market breakdown by measuring the relationship between fear in equity and fixed income markets.
- » It also inform our strategic and tactical work by serving as a warning light when the market appears to be running on all cylinders.
- » The CI is indicating the markets are functioning properly and there is little risk of an imminent collapse resulting from the systematic break down.
- » As a result, significant equity market pullbacks are likely buying opportunities.

Let Us Be Your 'Easy Button'



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# Disclosures

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## Performance:

Stringer Asset Management LLC is a registered investment adviser that generally provides services through model portfolios on a sub-advisory business. The firm primarily allocates client's investment management assets among exchange-traded funds ("ETFs") and secondarily among mutual funds. A fully compliant GIPS presentation along with a complete list and description of all composites is available at [www.stringeram.com](http://www.stringeram.com) or by calling 901-800-2956. Stringer Asset Management LLC claims compliance with the Global Investment Performance Standards (GIPS®).

**Past performance is not indicative of future results.** The investment return and principal value of an investment will fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. The performance of any individual portfolio may not be considered comparable to the Composite performance.

The Growth Composite includes all portfolios that mainly invest in equity and alternative ETFs selected from the global investment opportunity set. The Growth Composite has risk characteristics similar to that of the broad equity market and include but are not limited to equity risk, international investing risk and capitalization risk. The total returns presented are gross and net of fees. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. The benchmark is the MSCI ACWI Index rebalanced quarterly as of January 1, 2016. The benchmark is market-cap weighted and is composed of several country-specific indices. Sources of foreign exchange rates may be different between the composite and the benchmark; however, there have not been material differences to date. Prior to January 1, 2016, the benchmark was the MSCI World Index rebalanced quarterly. Prior to January 1, 2015, the blended benchmark was 70% Russell 3000 Index and 30% MSCI ACWI xUS Index rebalanced quarterly. In both cases, the benchmark was retroactively changed to more closely follow our investment strategy. The index represented does not bear transaction costs or management fees, and cannot be actually bought or sold. It is not possible to invest directly in an index. For index definitions, see the Index Definitions section at the end of this document. The U.S. Dollar is the currency used to express performance. Material use of leverage, derivatives and short positions are not used in this composite.

The Moderate Growth Composite includes all portfolios that mainly invest the majority of their assets in equity exchange-traded funds but also includes fixed income and alternative ETFs selected from the global investment opportunity set. The Moderate Growth Composite has risk characteristics lower than that of the broad equity market and include but are not limited to equity risk, international investing risk and credit risk. The total returns presented are gross and net of fees. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. The benchmark is a blend of 65% MSCI ACWI Index and 35% Barclays U.S. Aggregate Bond Index rebalanced quarterly as of January 1, 2016. The benchmark is market-cap weighted and is composed of several country-specific indices. Sources of foreign exchange rates may be different between the composite and the benchmark; however, there have not been material differences to date. Prior to January 1, 2016, the blended benchmark was 65% MSCI World Index and 35% Barclays U.S. Aggregate Bond Index rebalanced quarterly. Prior to January 1, 2015, the blended benchmark was 45% Russell 3000 Index, 20% MSCI ACWI xUS Index and 35% Barclays U.S. Aggregate Bond Index rebalanced quarterly. In both cases, the benchmark was retroactively changed to more closely follow our investment strategy. The index represented does not bear transaction costs or management fees, and cannot be actually bought or sold. It is not possible to invest directly in an index. For index definitions, see the Index Definitions section at the end of this document. The U.S. Dollar is the currency used to express performance. Material use of leverage, derivatives and short positions are not used in this composite.

# Disclosures

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## Performance (continued):

The Conservative Growth Composite includes all portfolios that invest their assets in equity, fixed income and alternative exchange-traded funds selected from the global investment opportunity set. The Conservative Growth Composite has risk characteristics lower than that of the broad equity market and include but are not limited to equity risk, international investing risk and credit risk. The total returns presented are gross and net of fees. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. The benchmark is a blend of 50% MSCI ACWI Index and 50% Bloomberg Barclays U.S. Aggregate Bond Index rebalanced quarterly as of January 1, 2016. The benchmark is market-cap weighted and is composed of several country-specific indices. Sources of foreign exchange rates may be different between the composite and the benchmark; however, there have not been material differences to date. Prior to January 1, 2016, the blended benchmark was 50% MSCI World Index and 50% Barclays U.S. Aggregate Bond Index rebalanced quarterly. Prior to January 1, 2015, the blended benchmark was 35% Russell 3000 Index, 15% MSCI ACWI xUS Index and 50% Barclays U.S. Aggregate Bond Index rebalanced quarterly. In both cases, the benchmark was retroactively changed to more closely follow our investment strategy. The index represented does not bear transaction costs or management fees, and cannot be actually bought or sold. It is not possible to invest directly in an index. For index definitions, see the Index Definitions section at the end of this document. The U.S. Dollar is the currency used to express performance. Material use of leverage, derivatives and short positions are not used in this composite.

The Income with Growth Composite includes all portfolios that invest their assets in equity, fixed income and alternative exchange-traded funds selected from the global investment opportunity set. The Income with Growth Composite has risk characteristics lower than that of the broad equity market and include but are not limited to equity risk, international investing risk and credit risk. The total returns presented are gross of fees. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. The benchmark is a blend of 35% MSCI ACWI Index and 65% Bloomberg Barclays U.S. Aggregate Bond Index rebalanced quarterly. The benchmark is market-cap weighted and is composed of several country-specific developed market indices. Sources of foreign exchange rates may be different between the composite and the benchmark; however, there have not been material differences to date. The index represented does not bear transaction costs or management fees, and cannot be actually bought or sold. It is not possible to invest directly in an index. For index definitions, see the Index Definitions section at the end of this document. The U.S. Dollar is the currency used to express performance. Material use of leverage, derivatives and short positions are not used in this composite. As of 12/30/16, the Conservative Composite was renamed the Income with Growth Composite.

The Income Composite includes all portfolios that invest their assets in equity, fixed income and alternative exchange-traded funds selected from the global investment opportunity set. The Income Composite has risk characteristics lower than that of the broad equity market and include but are not limited to equity risk, international investing risk and credit risk. The total returns presented are gross and net of fees. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. The benchmark is a blend of 20% MSCI ACWI Index and 80% Bloomberg Barclays U.S. Aggregate Bond Index rebalanced quarterly as of January 1, 2016. The benchmark is market-cap weighted and is composed of several country-specific indices. Sources of foreign exchange rates may be different between the composite and the benchmark; however, there have not been material differences to date. Prior to January 1, 2016, the benchmark was a blend of 20% MSCI World Index and 80% Barclays U.S. Aggregate Bond Index rebalanced quarterly. The benchmark was retroactively changed to more closely follow our investment strategy. The index represented does not bear transaction costs or management fees, and cannot be actually bought or sold. It is not possible to invest directly in an index. For index definitions, see the Index Definitions section at the end of this document. The U.S. Dollar is the currency used to express performance. Material use of leverage, derivatives and short positions are not used in this composite.

# Disclosures

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## Index Definitions:

*Bloomberg Barclays U.S. Aggregate Bond Index* – This Index provides a measure of the U.S. investment grade bond market, which includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the Index must have at least 1 year remaining to maturity. In addition, the securities must be denominated in US dollars and must be fixed rate, nonconvertible and taxable.

*MSCI ACWI (Net) Index* – This Index is 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 23 developed and 23 emerging market country indexes. Net total return includes the reinvestment of dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

*S&P 500 Index* – This Index is a capitalization-weighted index of 500 stocks. The Index is designed to measure performance of a broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

# Disclosures

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## Statistical Definitions:

*Standard deviation* – A statistical measure of volatility, standard deviation is often used as an indicator of the ‘risk’ associated with a return series. Standard deviation of return measures the average deviations of a return series from its mean. A large standard deviation implies that there have been large swings in the return series of the manager.

*Alpha* – Alpha is a measure of risk (beta)-adjusted return. Alpha measures the difference between a portfolio’s actual returns and what it might be expected to deliver based on its level of risk. In an ideal sense, higher risk should equate to higher return. A positive alpha means the fund has beaten expectations. A negative alpha means that the fund has failed to match performance given its level of risk. If two managers have the same return, but one has a lower beta, that manager would have a higher alpha.

*Beta* – This represents the systematic risk of a portfolio and measures its sensitivity to a benchmark. A portfolio with a beta of one is considered to be as risky as the benchmark and would therefore provide expected returns equal to those of the market benchmark during both up and down periods. A portfolio with a beta of two would move approximately twice as much as the benchmark.

*Yield* – Portfolio and benchmark yields are calculated using a harmonic weighted average of the net dividends per share during the past 12 months for each holding as of the date identified at their respective target weighting.

# Disclosures

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## Principal Risks:

*Allocation risk* – The performance of the portfolio relative to its benchmark will depend largely on the decisions to strategic asset allocation and tactical adjustments made to the asset allocation. At times, judgments as to the asset classes in which the portfolio should invest may prove to be wrong, as some asset classes may perform worse than others or the equity markets generally from time to time or for extended periods of time. *Market risk* – The value of securities in the portfolio may decline due to daily fluctuations in the securities markets, including fluctuation in interest rates, national and international economic conditions and general equity market conditions. *Management style risk* – To the extent the portfolio focuses on a particular style of stocks, such as growth or value, its performance may at times be better or worse than that of similar portfolios with other focuses or that have a broader investment style. *Business and sector risk* – From time to time, a particular set of circumstances may affect a particular industry or certain companies within an industry, while having little or no impact on other industries or other companies within the industry. *Large company risk* – The portfolio may invest in larger, more established companies, which may be unable to respond quickly to new competitive challenges such as changes in consumer tastes or innovative smaller competitors. Also, large companies are sometimes unable to attain the high growth rates of successful, smaller companies, especially during extended periods of economic expansions. *Mid-sized company risk* – The portfolio may invest in mid-cap companies, which may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, these mid-sized companies may pose additional risks, including liquidity risk, because these companies tend to have limited product lines, markets and financial resources, and may depend upon a relatively small management group. *Small company risk* – The portfolio may invest in smaller companies, which generally have less experienced management teams, serve smaller markets, and find it more difficult to obtain financing for growth or potential development than larger companies. *Real Estate Investment Trust (“REIT”) risk* – The portfolio may invest in ETFs or other pooled investment vehicles that invest in REITs. REITs are susceptible to the risks associated with investing in real estate generally, including, among others, declines in the value of real estate, lack of ability to access the credit markets and defaults by borrowers or tenants. *Commodities risk* – The portfolio may invest in ETFs or other pooled investment vehicles that invest in commodities, such as raw materials or agricultural products. Commodities are tied to future market values and future income and are vulnerable to adverse movements in prices and exchange rates. Additionally, the price of commodities may be affected by geopolitical changes and relations. *Credit risk* – An issuer of debt securities may not make timely payments of principal and interest. *Debt securities risk* – Increases in interest rates typically lower the value of debt securities held by the portfolio. Investments in debt securities include credit risk. There is also the risk that a bond issuer may “call,” or repay its high yielding bonds before their maturity dates. Debt securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. Limited trading opportunities for certain debt securities may make it more difficult to sell or buy a security at a favorable price or time. *High yield securities risk* – Investments in high yield fixed income securities, also known as “junk bonds”, involve a greater risk of default and are subject to a substantially higher degree of credit risk or price fluctuations than other types of debt securities. *Interest rate risk* – Increases in interest rates typically lower the present value of a company’s future earnings stream. Accordingly, stock prices will generally decline when investors anticipate or experience rising interest rates. *Issuer risk* – The value of an individual security or particular type of security can be more volatile and thus perform differently than the market as a whole. *Shares of other investment companies and ETFs risk* – Investors will indirectly bear fees and expenses charged by the underlying funds in which the portfolio may invest in addition to the portfolio’s direct fees and expenses and, as a result, the cost of investing in the portfolio will generally be higher than the cost of investing directly in the underlying fund shares. Investments in ETFs bear the risk that the market price of the ETF’s shares may trade at a discount to their net asset value or that an active trading market for an ETF’s shares may not develop or be maintained. *Non-diversified fund risk* – A non-diversified fund is generally subject to the risk that a large loss in an individual issue will cause a greater loss for the fund than it would if the fund was required to hold a larger number of securities or smaller positions. *Foreign exposure risk* – Foreign markets, particularly emerging markets, can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, or economic developments. *Foreign currency risk* – The value of an investment denominated in a foreign currency will decline in dollar terms if that currency weakens against the dollar. Additionally, certain countries may utilize formal or informal currency-exchange controls or “capital controls.” Such controls may also affect the value of the portfolio’s holdings. *U.S. Government and U.S. agency obligations risk* – There can be no assurance that the U.S. Government would provide financial support to its agencies or instrumentalities (including government-sponsored enterprises) that issue or guarantee certain securities where it is not obligated to do so.



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