



## **2023 Mid-Year Outlook**

Distorted Equity Markets Create Opportunities  
for Potential Gains and Risk Management

-- 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: JUNE 2023

|   | Yield | YTD    | 1-YR<br>Trailing | 3-YRS<br>Trailing | 5-YRS<br>Trailing | 7-YRS<br>Trailing | 10-YRS<br>Trailing | Since Inception (9/1/2008) |                       |      |              |
|---|-------|--------|------------------|-------------------|-------------------|-------------------|--------------------|----------------------------|-----------------------|------|--------------|
|   |       |        |                  |                   |                   |                   |                    | Trailing<br>Return         | Standard<br>Deviation | Beta | Alpha        |
| Stringer AM Growth - Gross              | 3.49% | 8.68%  | 10.84%           | 8.72%             | 6.19%             | 7.70%             | 7.64%              | 6.61%                      | 14.44%                | 0.84 | <b>0.46%</b> |
| MSCI ACWI Index                         | 1.99% | 13.93% | 16.53%           | 10.99%            | 8.10%             | 9.94%             | 8.75%              | 6.98%                      | 16.93%                | 1.00 | -            |
| Stringer AM Moderate Growth – Gross     | 3.36% | 5.60%  | 5.44%            | 5.58%             | 4.68%             | 5.73%             | 6.02%              | 5.86%                      | 10.35%                | 0.88 | <b>0.49%</b> |
| 65% MSCI ACWI - 35% BC Agg Index        | 2.40% | 9.72%  | 10.25%           | 5.76%             | 5.96%             | 6.89%             | 6.46%              | 5.91%                      | 11.41%                | 1.00 | -            |
| Stringer AM Conservative Growth – Gross | 3.18% | 4.94%  | 3.87%            | 3.39%             | 3.73%             | 4.47%             | 4.95%              | 5.20%                      | 8.20%                 | 0.86 | <b>0.47%</b> |
| 50% MSCI ACWI - 50% BC Agg Index        | 2.57% | 7.94%  | 7.61%            | 3.51%             | 4.89%             | 5.48%             | 5.39%              | 5.31%                      | 9.17%                 | 1.00 | -            |

|                                      | Yield | YTD   | 1-YR<br>Trailing | 3-YRS<br>Trailing | 5-YRS<br>Trailing | 7-YRS<br>Trailing | 10-YRS<br>Trailing | Since Inception (7/1/2015) |                       |      |               |
|--------------------------------------|-------|-------|------------------|-------------------|-------------------|-------------------|--------------------|----------------------------|-----------------------|------|---------------|
|                                      |       |       |                  |                   |                   |                   |                    | Trailing<br>Return         | Standard<br>Deviation | Beta | Alpha         |
| Stringer AM Income w/ Growth – Gross | 3.31% | 4.02% | 2.27%            | 2.04%             | 2.10%             | 2.59%             | -                  | 2.21%                      | 6.74%                 | 0.90 | <b>-1.34%</b> |
| 35% MSCI ACWI - 65% BC Agg Index     | 2.75% | 6.17% | 5.01%            | 1.27%             | 3.74%             | 4.02%             | -                  | 3.86%                      | 7.05%                 | 1.00 | -             |

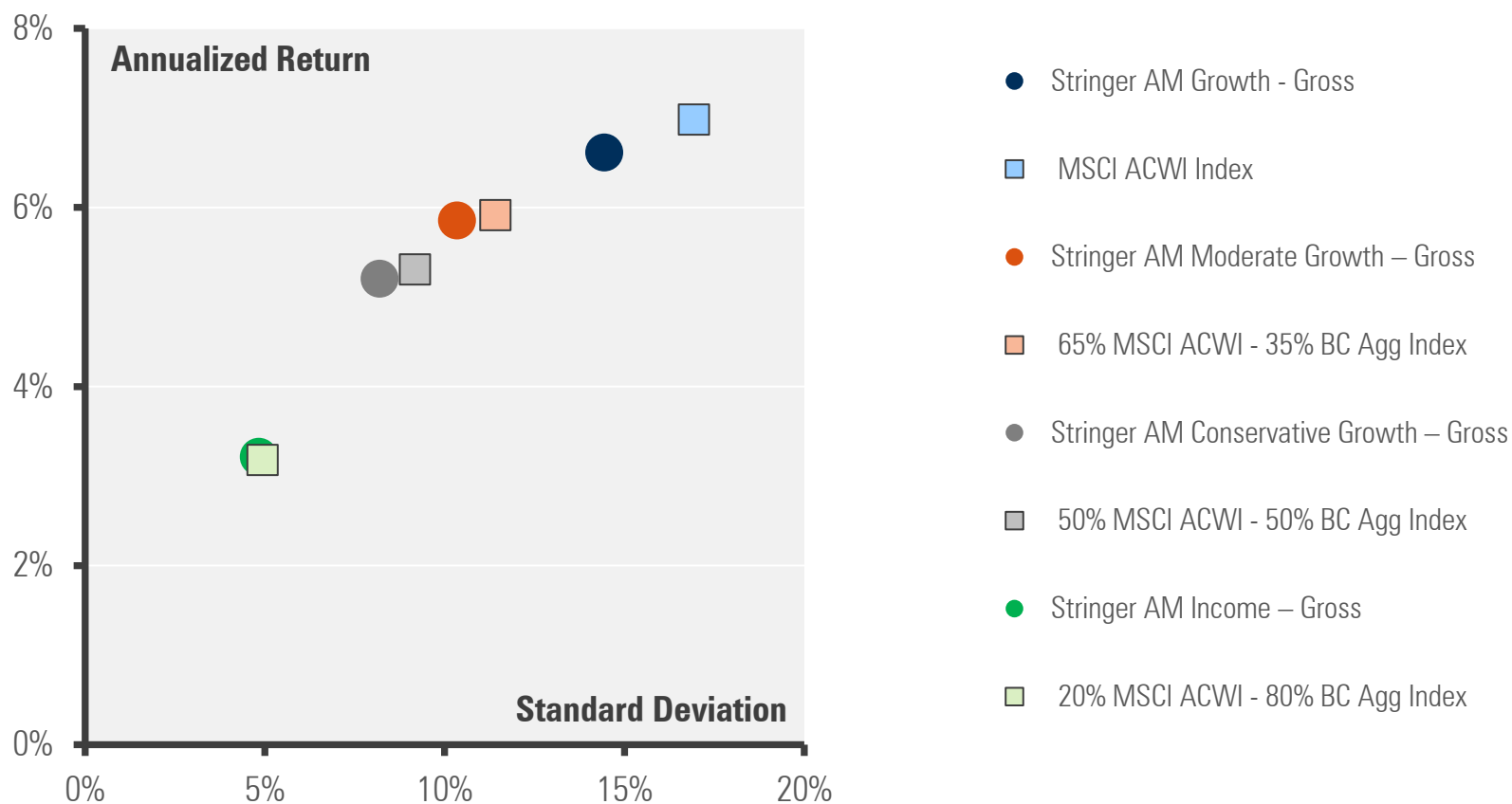
|                                  | Yield | YTD   | 1-YR<br>Trailing | 3-YRS<br>Trailing | 5-YRS<br>Trailing | 7-YRS<br>Trailing | 10-YRS<br>Trailing | Since Inception (11/1/2011) |                       |      |              |
|----------------------------------|-------|-------|------------------|-------------------|-------------------|-------------------|--------------------|-----------------------------|-----------------------|------|--------------|
|                                  |       |       |                  |                   |                   |                   |                    | Trailing<br>Return          | Standard<br>Deviation | Beta | Alpha        |
| Stringer AM Income – Gross       | 3.59% | 3.64% | 1.20%            | 0.59%             | 1.76%             | 2.08%             | 2.71%              | 3.21%                       | 4.84%                 | 0.90 | <b>0.26%</b> |
| 20% MSCI ACWI - 80% BC Agg Index | 2.92% | 4.41% | 2.44%            | -0.98%            | 2.51%             | 2.52%             | 3.12%              | 3.18%                       | 4.94%                 | 1.00 | -            |

|                                   | Yield | YTD    | 1-YR<br>Trailing | 3-YRS<br>Trailing | 5-YRS<br>Trailing | 7-YRS<br>Trailing | 10-YRS<br>Trailing | Since Inception (9/1/2015) |                       |      |               |
|-----------------------------------|-------|--------|------------------|-------------------|-------------------|-------------------|--------------------|----------------------------|-----------------------|------|---------------|
|                                   |       |        |                  |                   |                   |                   |                    | Trailing<br>Return         | Standard<br>Deviation | Beta | Alpha         |
| Stringer AM Tactical Opps - Gross | 3.51% | 5.89%  | 4.37%            | 8.55%             | 6.07%             | 7.29%             | -                  | 5.70%                      | 14.66%                | 0.88 | <b>-2.33%</b> |
| MSCI ACWI Index                   | 1.99% | 13.93% | 16.53%           | 10.99%            | 8.10%             | 9.94%             | -                  | 9.18%                      | 15.45%                | 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.

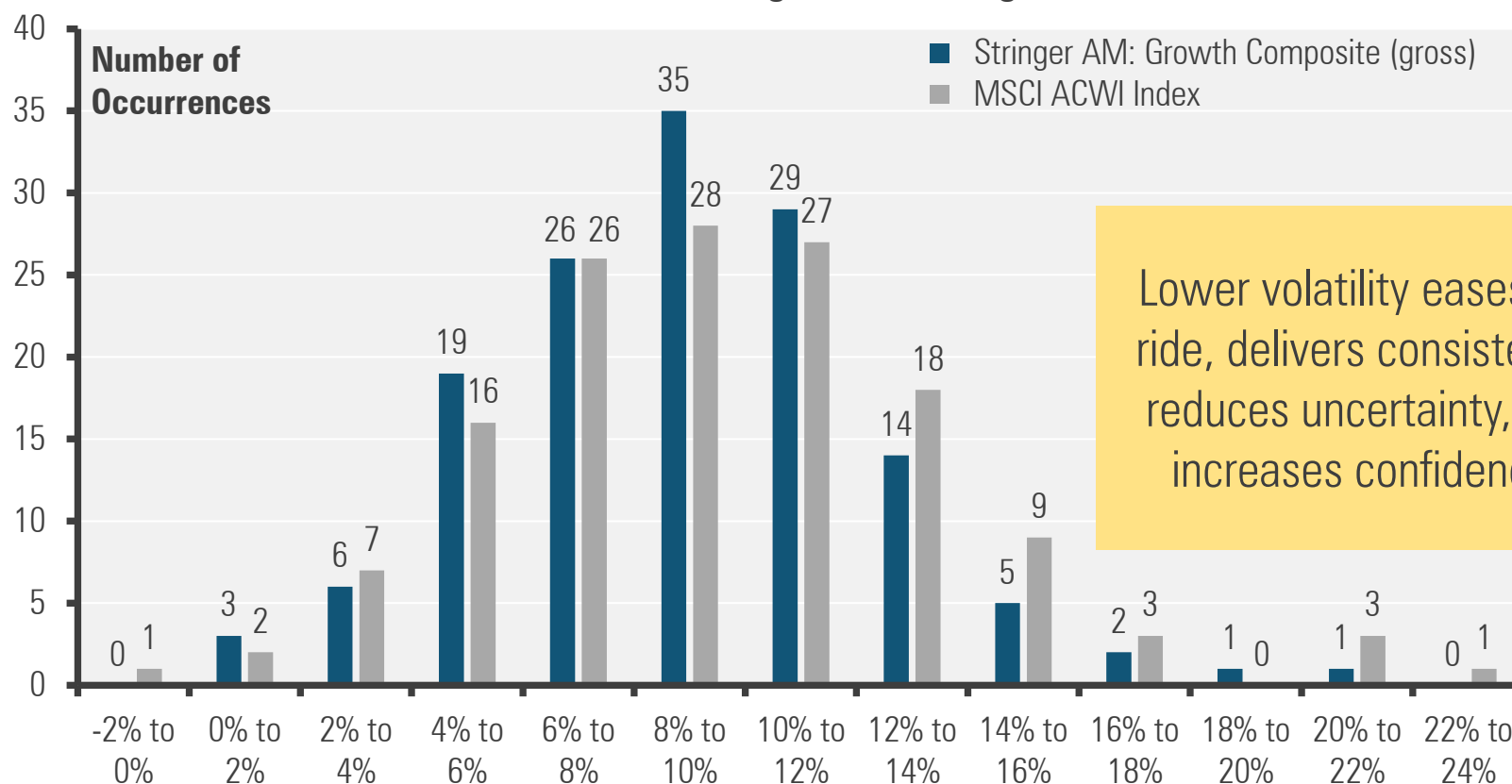
## RISK/REWARD PLOT<sup>1</sup>: SINCE INCEPTION TO JUNE 2023



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

## 36-Month Rolling Return Histogram



Lower volatility eases the ride, delivers consistency, reduces uncertainty, and increases confidence.

*Source: Morningstar.* This material is for informational purpose only. Opinions and forecasts expressed herein may not actually occur. **Past performance is not indicative of future results.** 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 definitions, see the Index Definitions and Statistical Definitions sections at the end of this document.**



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## BROAD OUTLOOK

- » The current market is quite reminiscent of late 2020 when the top-heavy large cap indices were pulled higher by just a handful of constituents only to then have the market find its way back to equilibrium over the coming months.
- » It is very important to keep in mind that the inevitable reversion to the mean usually occurs either through runups in the previously lagging sectors as we experienced in the first quarter of 2021, through a steep correction in those narrow sectors that had been leading as we saw in the second quarter of 2022, or in some combination of both.
- » That is why, especially in times like this, we think that having a disciplined investment management process can make all the difference.
- » Our *Three Layers of Risk Management* process continues to prove valuable in helping us gain clarity and perspective among the noise.
- » While our economic views clearly remain cautious in the near term, we are exceedingly optimistic over the longer term and look forward to the start of a very strong business cycle after the near-term malaise.



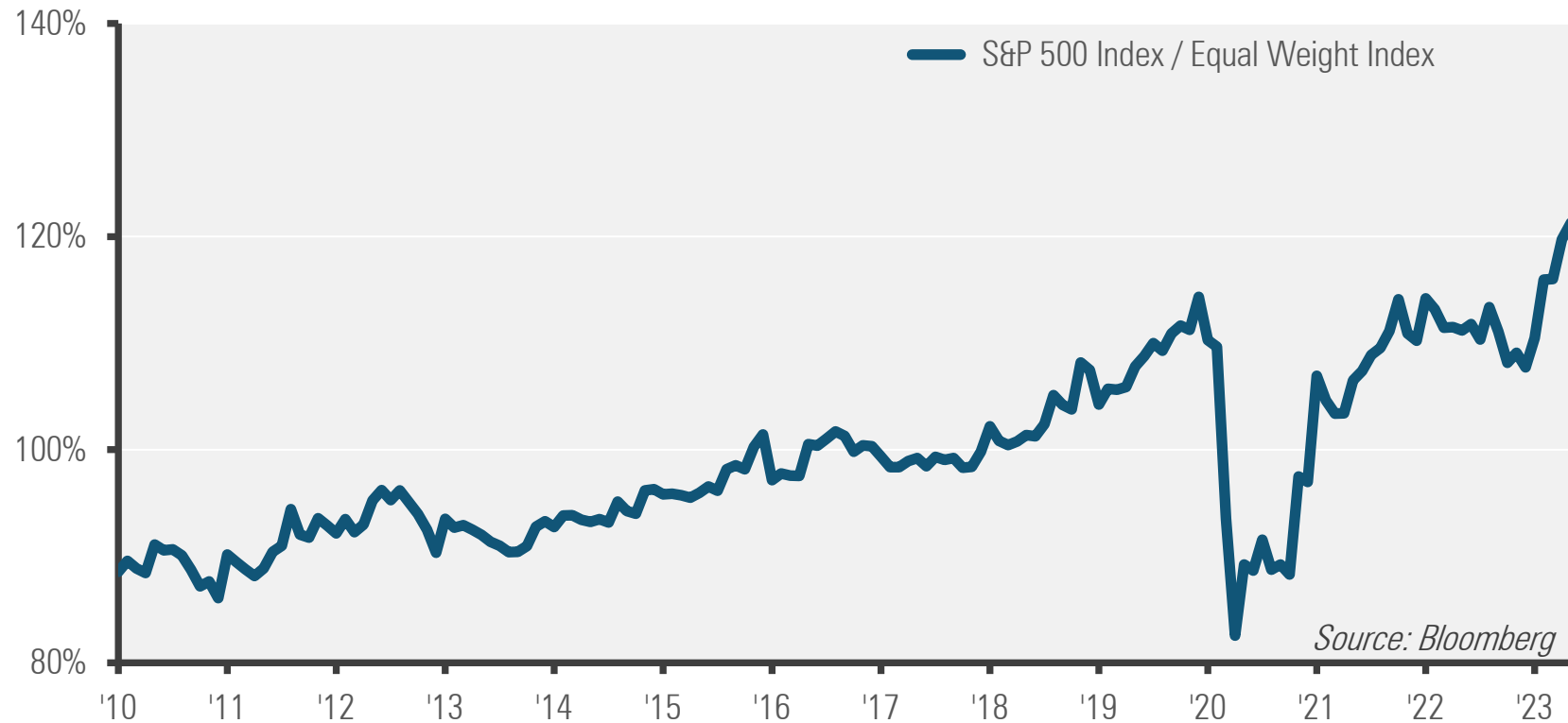
| BROAD OUTLOOK               |                 |                 |                              |                  |
|-----------------------------|-----------------|-----------------|------------------------------|------------------|
|                             | U.S.            | Europe        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



## SAMPLE OF RECENT ADDITIONS

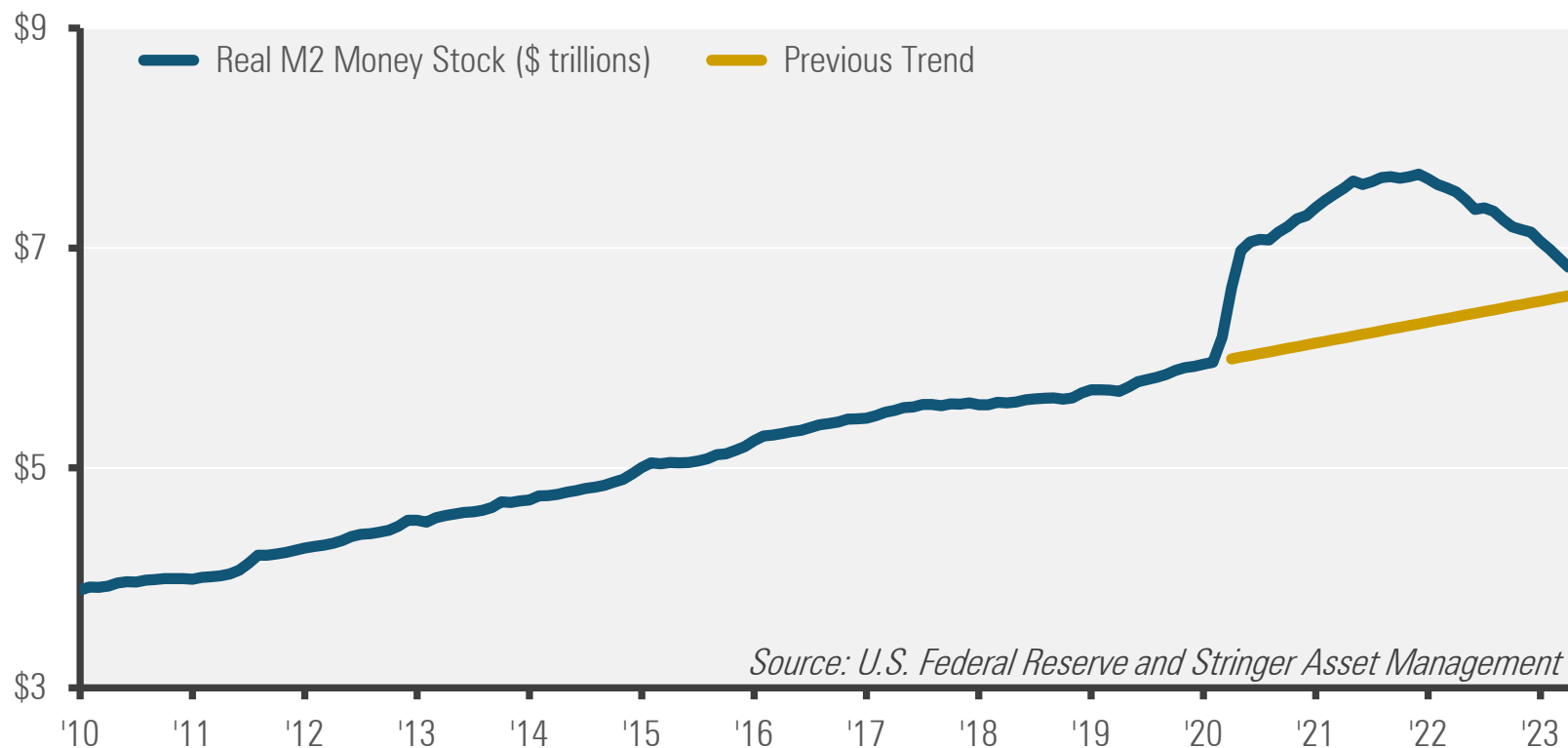
- » With economic uncertainties increasing, we continue to seek diversified sources of return that can provide attractive results while managing risk in real time.
- » As a result, we recently increased our allocations to a defensive equity ETF that features a covered call writing strategy to potentially increase the current yield while still offering downside protection through its conservative equity investment process.
- » Additionally, we increased our allocations to equity income and a Japanese equity ETF in our Growth and Tactical Opportunities Strategies.
- » Given the lopsided runup from the communications services and information technology sectors this year, we are finding other investment opportunities that look relatively more appealing.
- » This change expanded our emphasis on equities outside the areas that have run up so quickly this year as well as enhanced the current income of our Strategies, which results in a more attractive risk/reward tradeoff in our view.

# S&P 500 Index Valuation Comparison



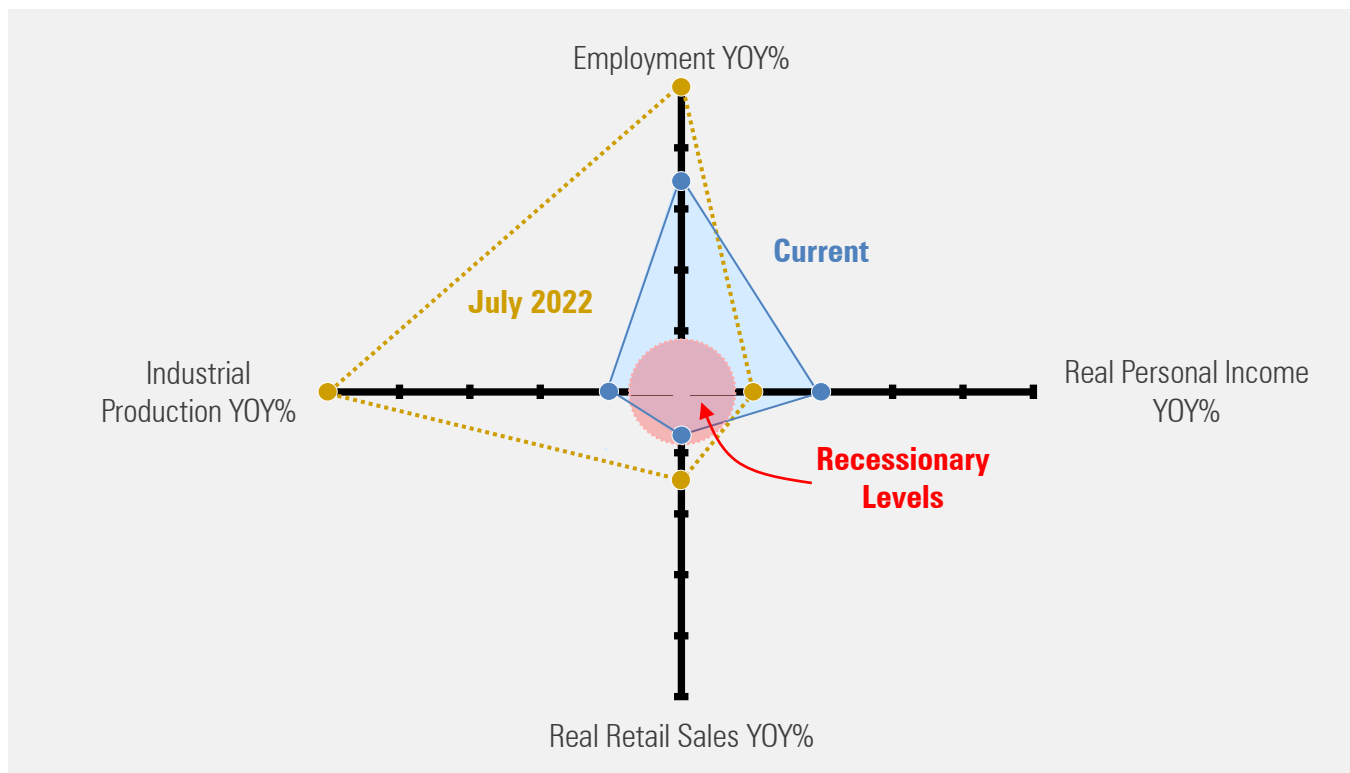
- » Due to the rally in a very few large company stocks, the S&P 500 Index is trading at almost 20x expected earnings, while the equally weighted version of the same Index is trading at less than 17x the expected 12 months earnings.
- » Relative to the valuation of the equally weight Index, the valuation premium of the capitalization weighted Index is near the upper end of its historical range.
- » By investing in the same companies on an equally weighted basis rather than a capitalization weighted basis, investors can go from paying a premium to a discount.

# Real Money Supply & Prior Trend



- » The strong pace of economic growth since the pandemic recovery and the historically fast rate of inflation means that nearly all the excess liquidity has been absorbed.
- » Adjusting for inflation, the amount of excess money in the economy, as measured by M2, grew to over \$1.4 trillion above its previous trend and has fallen to less than \$280 billion currently.
- » At the current pace of decline, we expect any excess liquidity and savings that resulted from stimulus to be wiped out sometime this fall.

# Our Four Dimensions of Economic Health



- » It is apparent that the U.S. economy is weaker than it was last year.
- » Real income has improved since July of 2022 due to persistent wage growth and falling inflation.
- » In addition, employment trends remain healthy, but have weakened since last July.
- » Meanwhile, industrial production growth has stagnated, and real retail sales have declined.



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## INVESTMENT IMPLICATIONS

- » Looking across our *Four Dimensions of Economic Health*, it is apparent that the U.S. economy is weaker than it was last year.
- » With the Fed continuing to tighten, we expect more economic challenges ahead.
- » These types of challenges have historically caused equity market volatility and a rally in Treasury bonds.
- » As a result, we remain defensively positioned including a relative underweight to equity risk and overweight to U.S. Treasuries.
- » Investors may be well served utilizing a disciplined investment management process, such as our *Three Layers of Risk Management*, that can potentially participate in the markets' upside while offering protection from significant downside risks.
- » Our work suggests that we should expect a very strong business cycle after the near-term malaise.
- » We expect this new, high quality business cycle to be driven by the growing U.S. labor force, one of the few labor forces within the developed world that is expanding, and an industrial renaissance as more and more companies bring production to North America.

## INVESTMENT OUTLOOK SUMMARY | FAVORED CHOICES

|                     |  |
|---------------------|--|
| <b>EQUITY</b>       | <i>U.S.</i> » health care, high dividend yield, information technology<br><i>Global</i> » dividends, infrastructure, low volatility, quality |
| <b>FIXED INCOME</b> | short-, intermediate-, and long-duration Treasuries, taxable munis   |
| <b>ALTERNATIVES</b> | managed futures, master limited partnerships (MLPs), equity 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

## NET TRADE SUMMARY: APRIL TO JUNE 2023

|  | Growth |        | ModGrowth |        | ConGrowth |        | IncGrowth |        | Income |        |
|--|--------|--------|-----------|--------|-----------|--------|-----------|--------|--------|--------|
|  | Weight | Action | Weight    | Action | Weight    | Action | Weight    | Action | Weight | Action |
| Vanguard High Dividend Yield ETF (VYM) | 5.00%  | BUY    | -         | -      | -         | -      | -         | -      | -      | -      |
| Franklin FTSE Japan ETF (FLJP)         | 5.00%  | BUY    | -         | -      | -         | -      | -         | -      | -      | -      |
| SPDR Portfolio Short Treasury (SPTS)   | -      | -      | 6.50%     | BUY    | 7.00%     | BUY    | 10.00%    | BUY    | 13.00% | BUY    |
| JPMorgan Eq Premium Income (JEPI)      | 4.00%  | ADD    | 3.00%     | ADD    | 3.00%     | BUY    | -         | -      | -      | -      |
| Vanguard Value ETF (VTV)               | -      | -      | -         | -      | -1.00%    | TRIM   | -         | -      | -      | -      |
| Invesco R1000 Multifactor ETF (OMFL)   | -      | -      | -         | -      | -2.00%    | TRIM   | -         | -      | -      | -      |
| iShares Global Min Vol Factor (ACVV)   | -5.00% | TRIM   | -         | -      | -         | -      | -         | -      | -      | -      |
| Cash                                   | -5.00% | TRIM   | -         | -      | -         | -      | -         | -      | -      | -      |
| iShares 1-3 Treasury Bond (SHY)        | -      | -      | -         | -      | -         | -      | -3.00%    | SELL   | -5.00% | SELL   |
| WisdomTree Floating Treasury (USFR)    | -      | -      | -6.50%    | SELL   | -7.00%    | SELL   | -7.00%    | SELL   | -8.00% | SELL   |
| Consumer Staples Select SPDR (XLP)     | -4.00% | SELL   | -3.00%    | SELL   | -         | -      | -         | -      | -      | -      |

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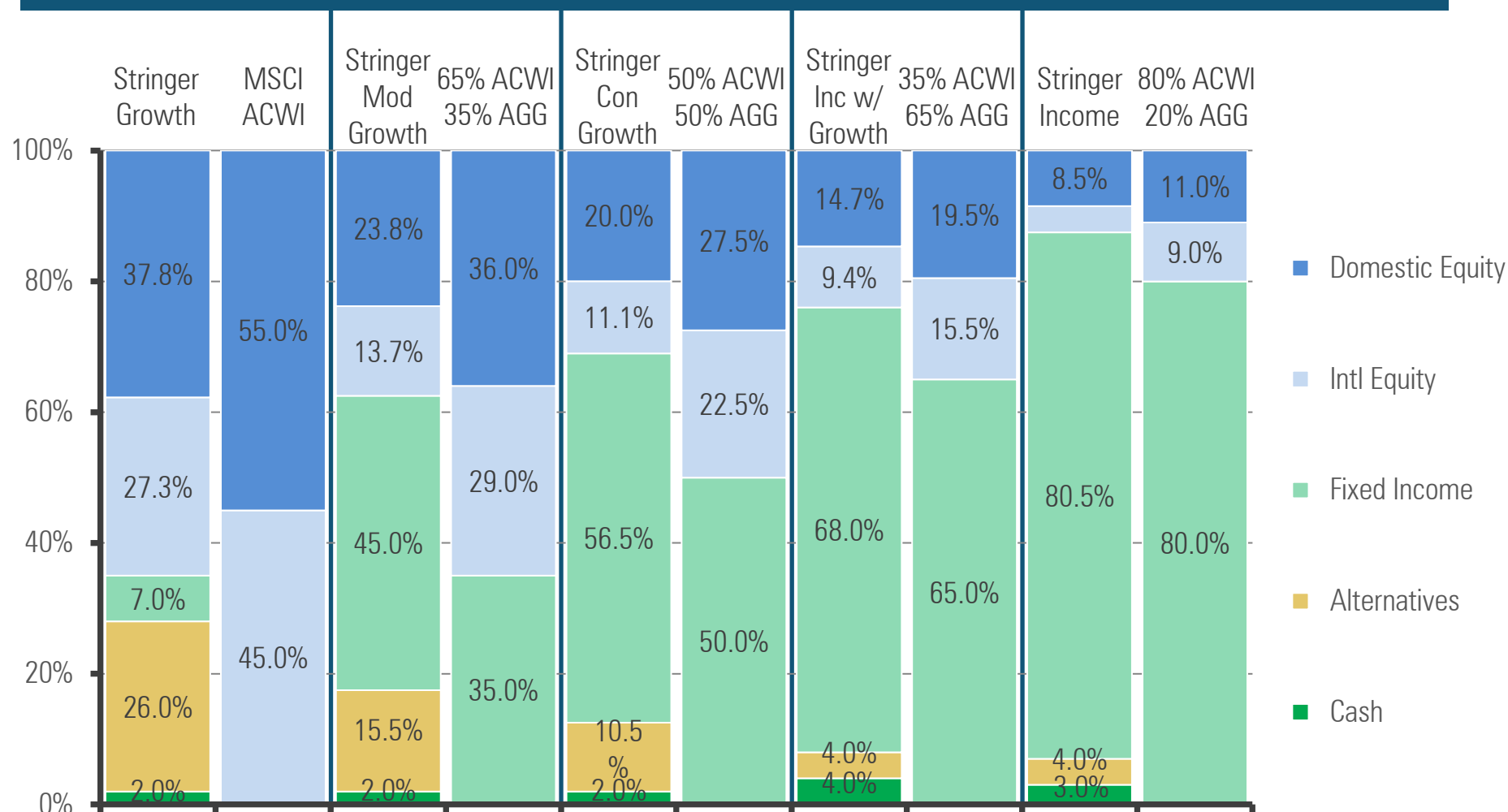
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# Current Portfolio Allocations

## BROAD ASSET ALLOCATION AS OF JUNE 2023



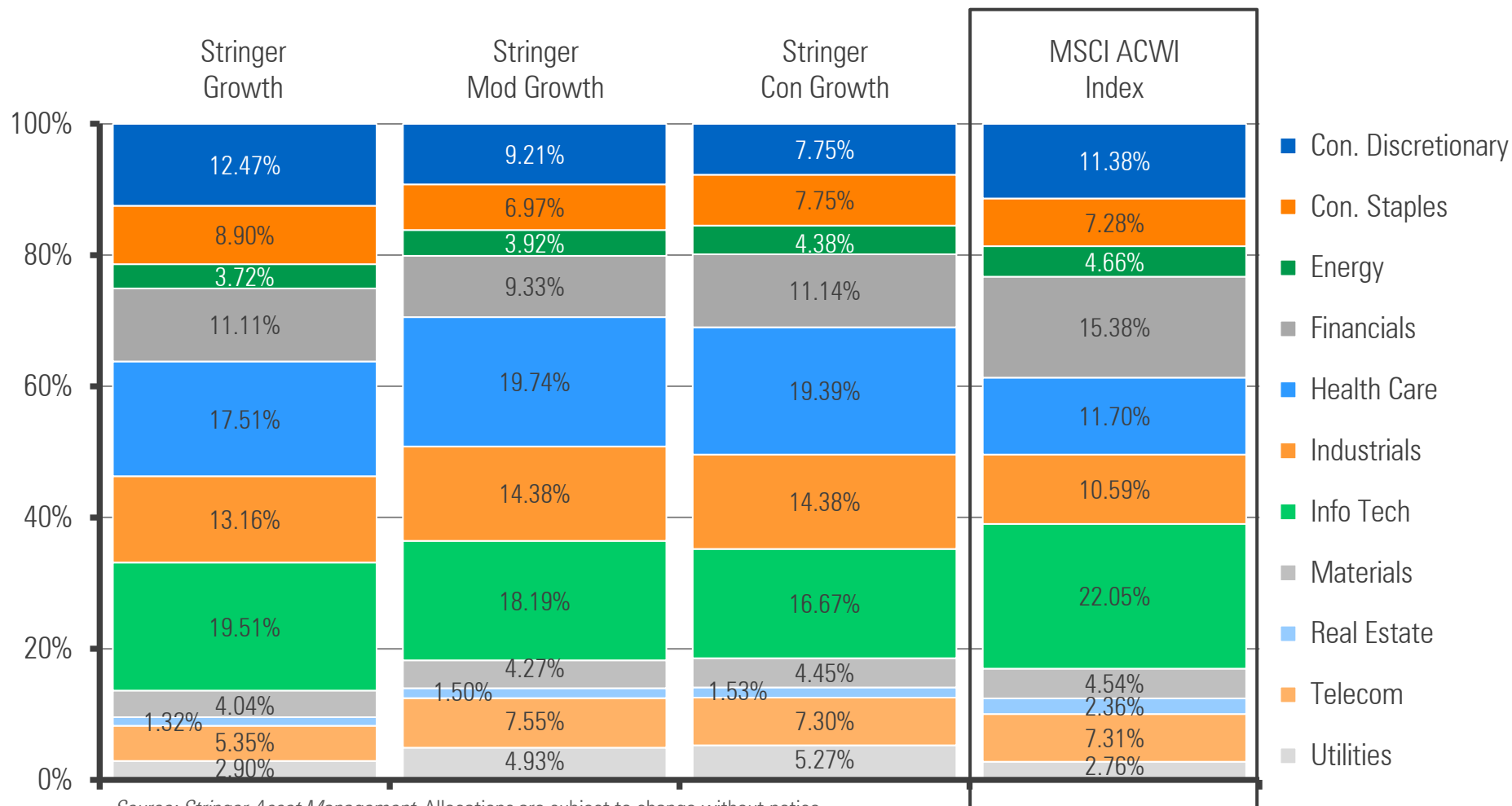
Source: Stringer Asset Management. Allocations are subject to change without notice.

# Current Portfolio Allocations



**STRINGER**  
ASSET MANAGEMENT

## TRADITIONAL EQUITY SECTOR ALLOCATION AS OF JUNE 2023



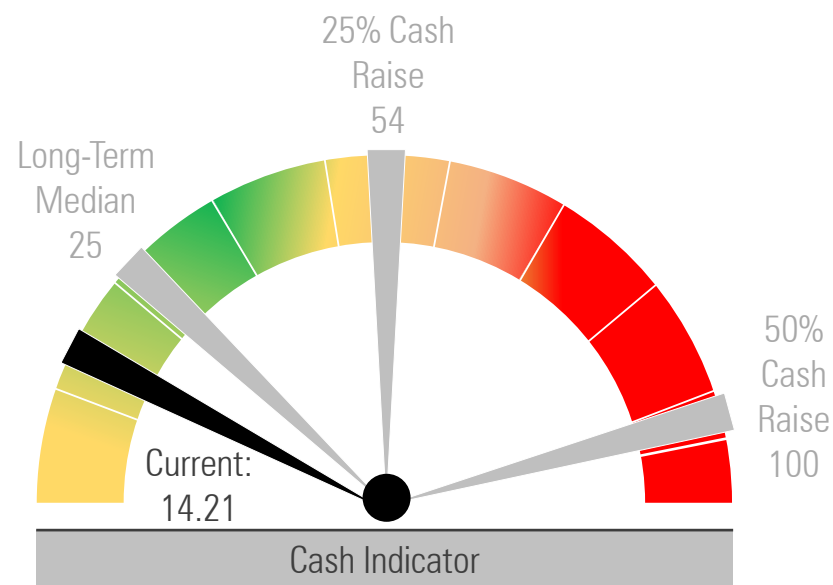
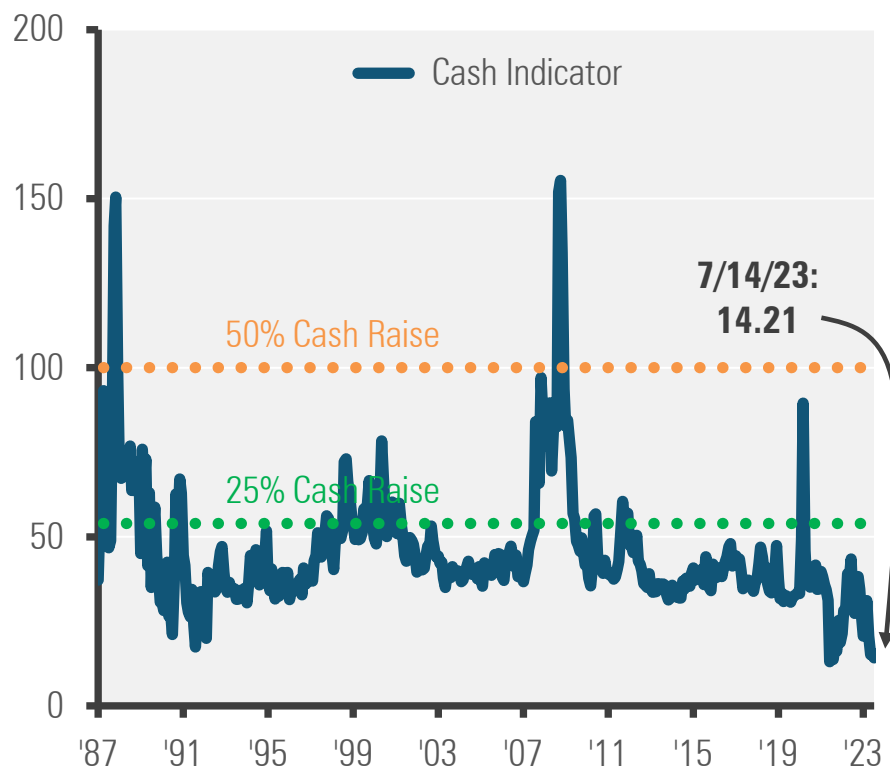


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# The Cash Indicator



Source: Bloomberg and Stringer Asset Management

- » The Cash Indicator (CI) continues to meander near low levels that suggest financial markets are overly complacent.
- » We think that riskier stocks and bonds, especially those trading at lofty valuations, may be subject to significant downside risk over the months ahead.
- » At this level, the CI confirms our more cautious stance.

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.

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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.

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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.

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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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