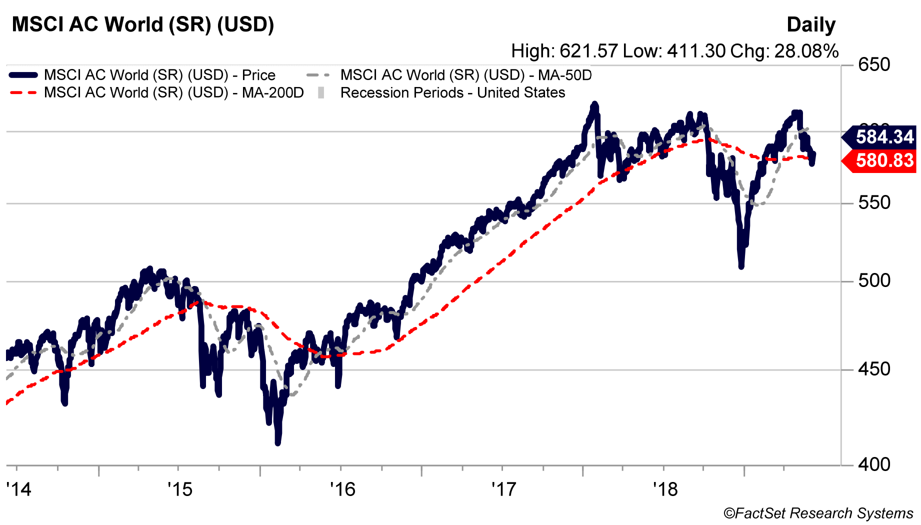
Observation Deck

Views from the Investment Policy Committee



2nd Quarter 2019

Purpose

- The Observation Deck is a series of pictures designed to communicate points of view and to stimulate discussion and debate, it is NOT a set of recommendations
- Our commentary is not the result of any single data point or graphic, it is a reflection of the weekly conversations within the Investment Policy Committee and a set of perspectives that are derived from many observations accumulated over varying time frames
- Slides that are included in the Observation Deck are a subset of the scores of data points and graphics that the Investment Policy Committee views each week in assessing the status of the business cycle and the health of financial markets
- We hope that you enjoy the Observation Deck and recognize that the views and opinions expressed are capturing a moment in time and are subject to change without notice

FT FINANCIAL TIMES | Top Financial Advisers 2018

Macro TIP Chart

Tactical Investment Positioning

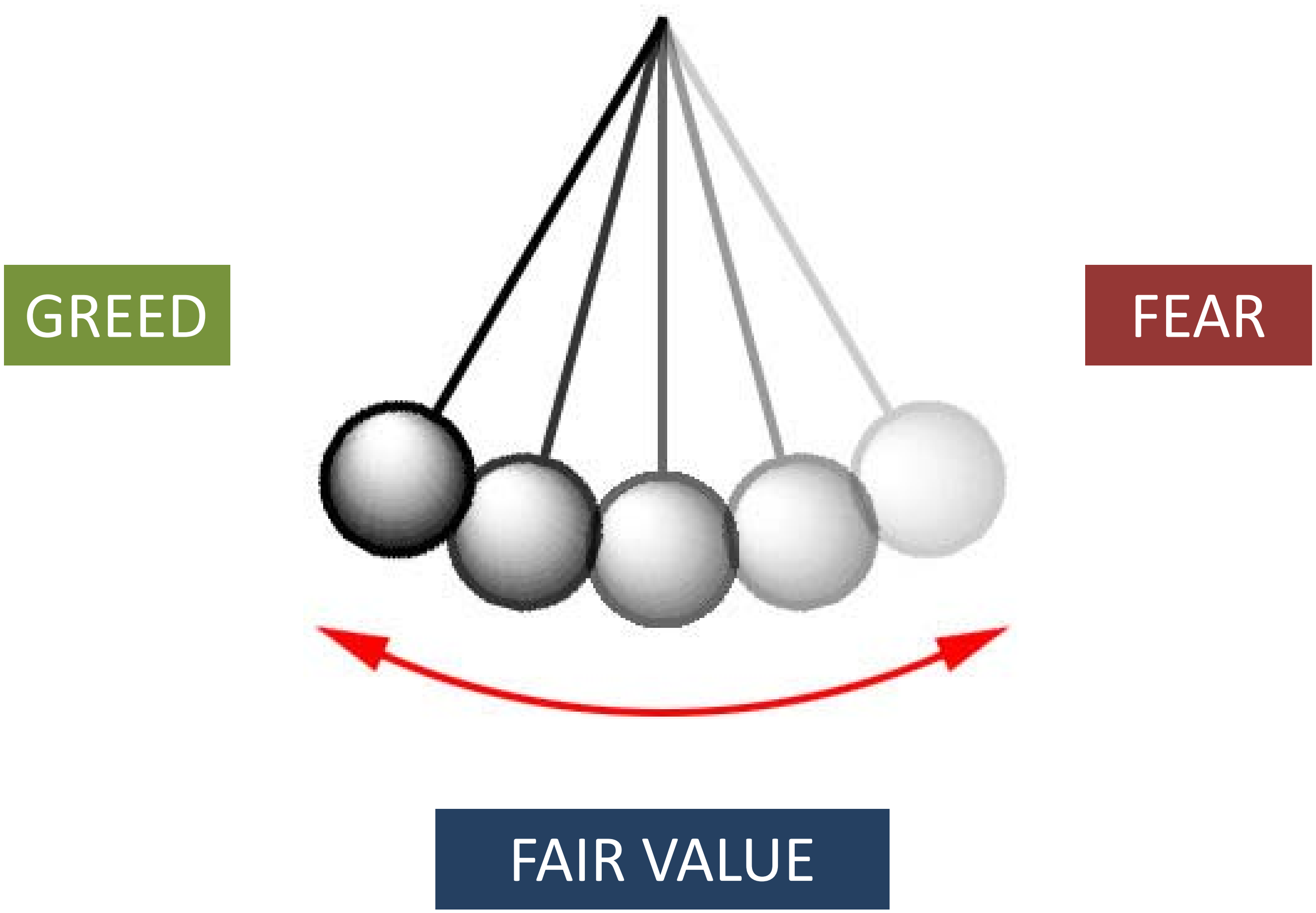
2nd Quarter 2019

Strength of Conviction	Chg	Negative / Neutral / Positive	Rationale
Business Activity	←	□ ■ □ □ □	US growth rate slowing toward sustainable trend, but international slowdown places growth risk to the downside, particularly in the EU.
Financial Conditions	→	□ □ ■ □ □	Rapid shifts in monetary policy within the Fed, ECB and PBOC is easing financial conditions and support risk assets in the near-term.
Relative Preference	**Chg**	**Neutral**	**Rationale**
Asset Class		Bonds / Stocks □ □ ■ □ □	Growth concerns are placing pressure on bond yields around the globe. Stocks are supported by policy but face EPS headwinds.
Economic Sensitivity		Defensive / Cyclical □ ■ □ □ □	Profit cycle facing margin pressures from slowing growth and escalating trade tensions. Defensive sectors remain expensive.
Credit Quality		Sovereign / Credit □ □ ■ □ □	Credit spreads have narrowed considerably to sovereign, but the pause in Fed policy supports credit – short of a US recession.
Duration Profile		Short Maturity / Long Maturity □ ■ □ □ □	Yield curve approaches inversion. Very little compensation for extending maturity risk. Benchmark duration is very long.
Commodities		Below Weight / Above Weight □ ■ □ □ □	Some demand destruction associated with global slowdown. OPEC appears dedicated to production levels that support price of oil.
Cash		Below Weight / Above Weight □ □ □ ■ □	Rising cash yields offer competition to financial assets for the first time in over a decade.

Observation #1

The Investor Sentiment Pendulum

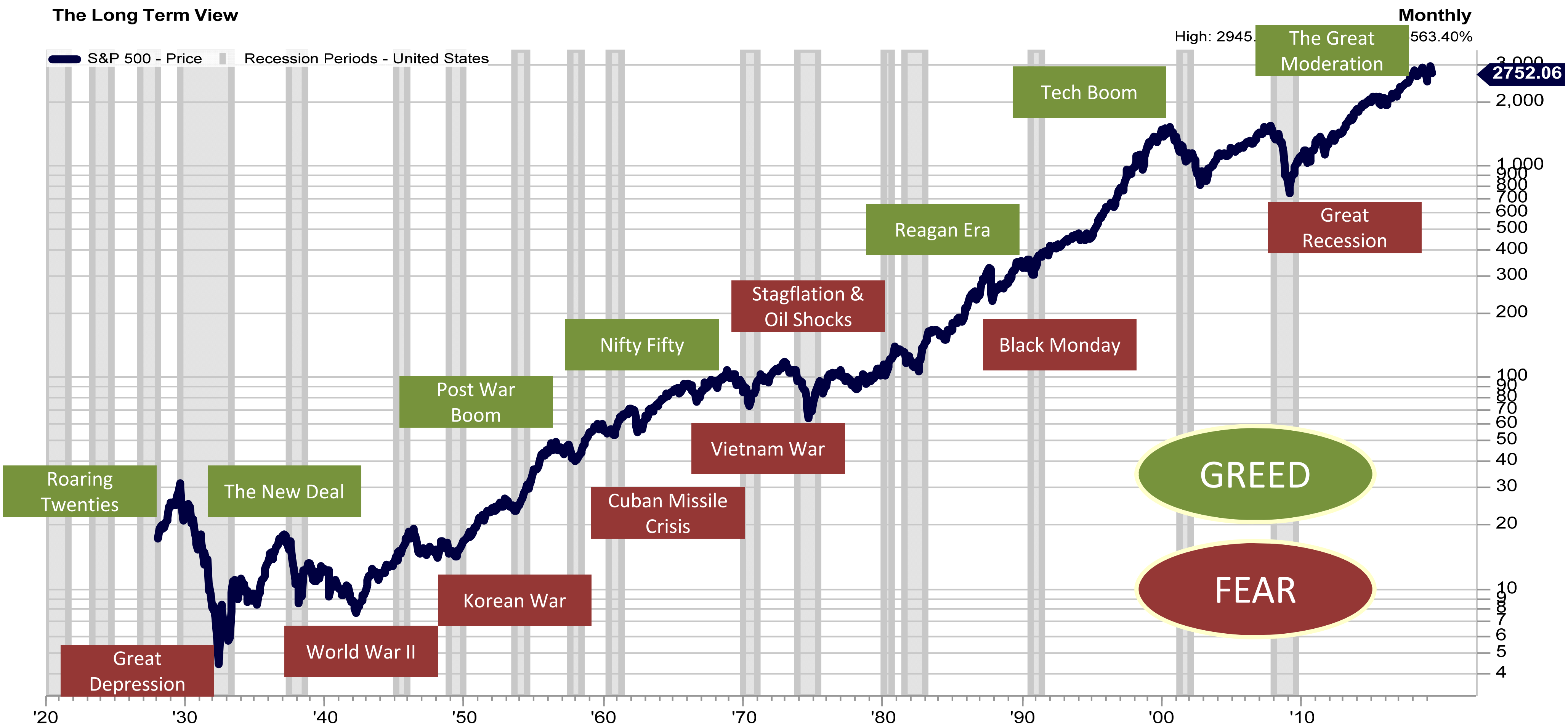
- Investors are highly susceptible to the emotions that drive the Investor Sentiment Pendulum
- Greed and Fear are powerful emotions that move investors to take actions that are often detrimental to their desired investment outcomes, namely the great mistakes of "buying high" and "selling low"



Observation #1

The Investor Sentiment Pendulum

- Market prices typically reflect the fundamental conditions of the business cycle, but the path of any market can exhibit moments of extreme euphoria and those of despair
- The value of the S&P 500 (blue line) at any given moment, can be a reflection of investor sentiment that may be influenced by single events or extended periods of time that generate powerful emotion

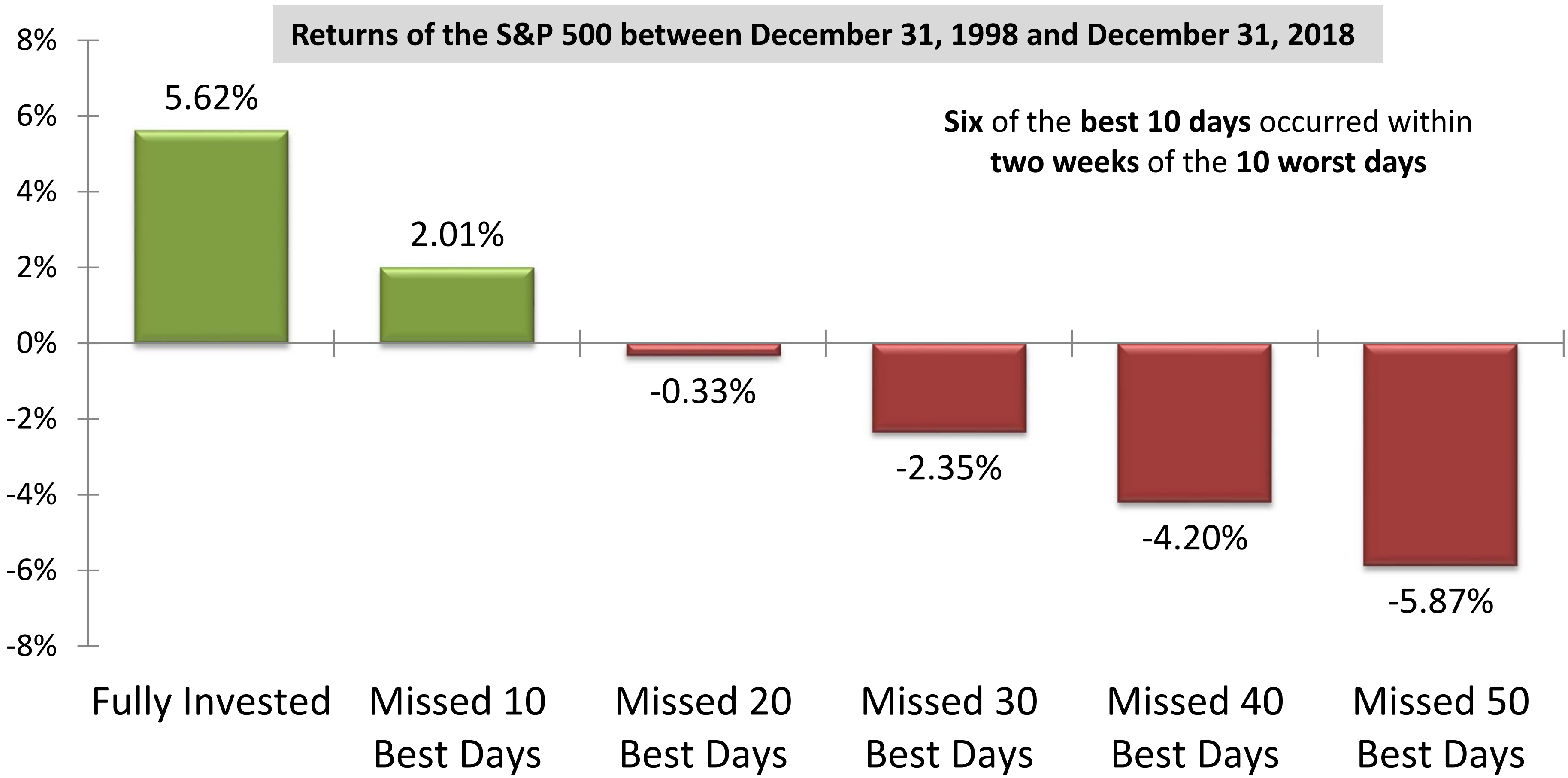


©FactSet Research Systems

Observation #2

Timing the Markets

- The mistakes of "buying high" and "selling low" are well known to most investors, and yet many fall victim to the Investor Sentiment Pendulum whenever it reaches extremes
- Investors that remove themselves from markets when sentiment is poor, often believe they will know when to get back in, but the data suggests that timing the markets is extremely difficult



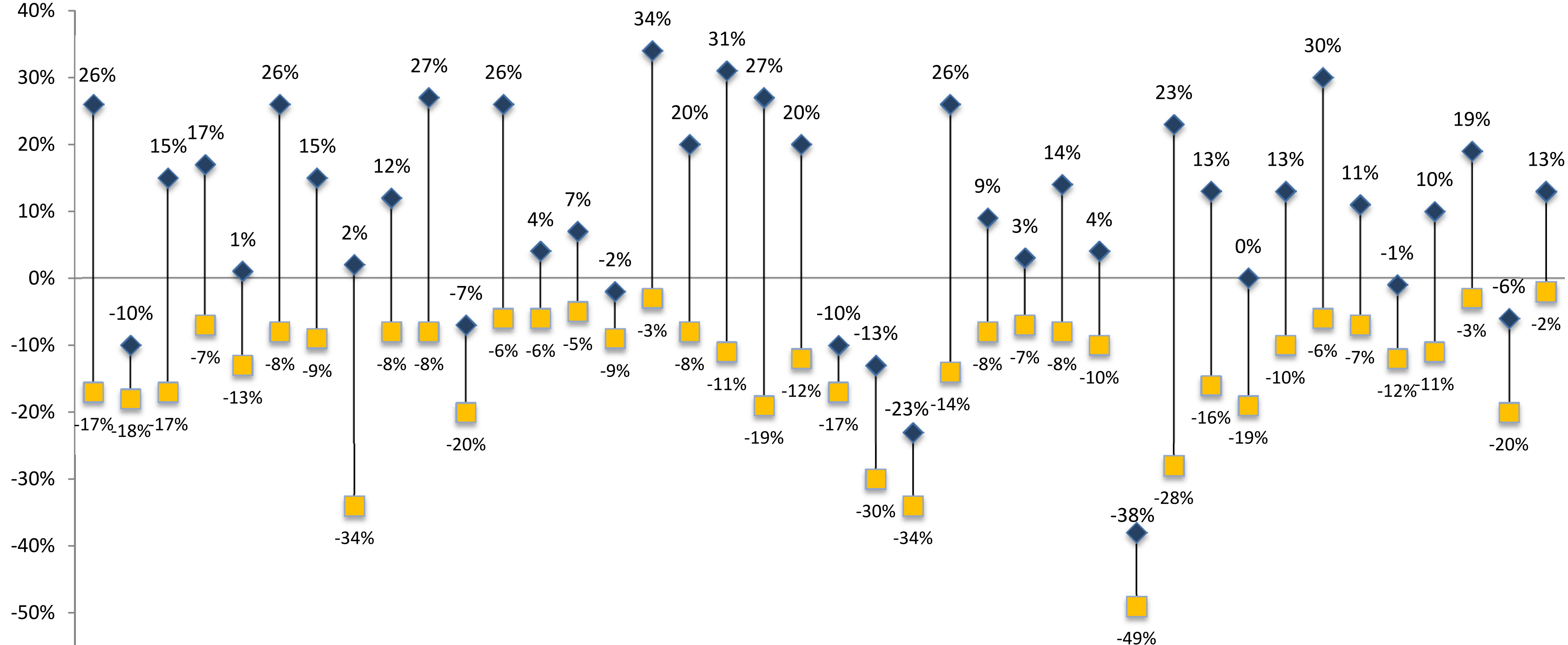
Source: Bloomberg, L.P. JPMorgan Asset Management. Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization weighted index. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are for illustrative purposes only and are not meant to be representative of actual results while investing during the time period. Past performance is not indicative of future returns.

Observation #2

Timing the Markets

- The mistake of "selling low" is commonplace among investors who are most susceptible to the sentiment pendulum and can't take the pain of seeing their investments lose value, even if momentary
- The S&P 500 has lost value during moments in each of the last 39 years (yellow boxes) but investors with the discipline to stay invested have mostly been rewarded (blue diamonds) for their perseverance

S&P 500 intra-year declines vs. calendar year returns (1980 – March 31, 2019)



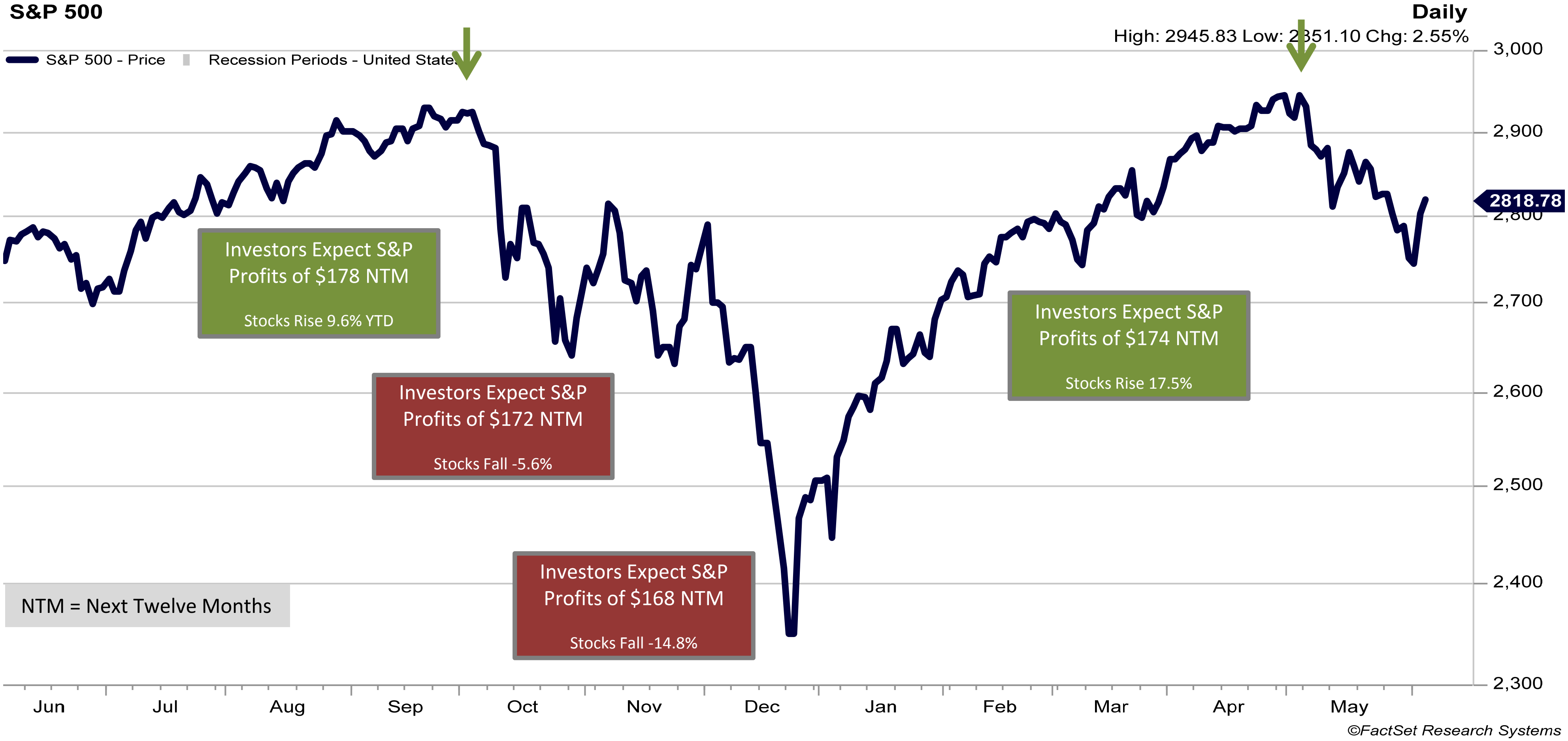
Despite average intra-year drops of -13.9%, annual returns positive in 29 of 39 years

Source: Bloomberg L.P.

Observation #3

The Round Trip

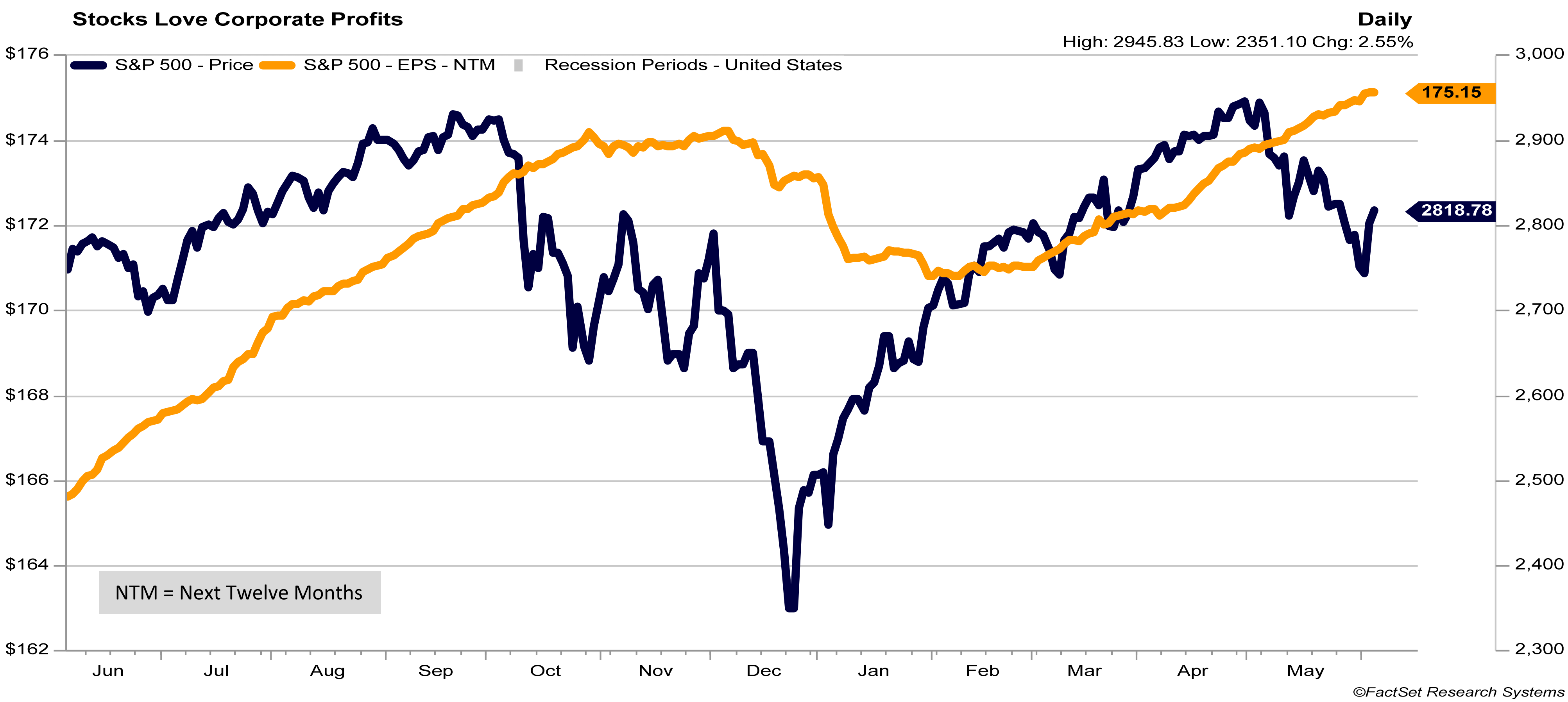
- Over the course of the last seven months, the S&P 500 completed one of the fastest peak-trough-peak "round trips" in memory, that included the worst December since 1931 and best January's on record
- Many investors were victim to the Investor Sentiment Pendulum and sold out of stocks on or near the December 24th low, denying themselves the opportunity to realize a near 8% twelve month return



Observation #3

The Round Trip

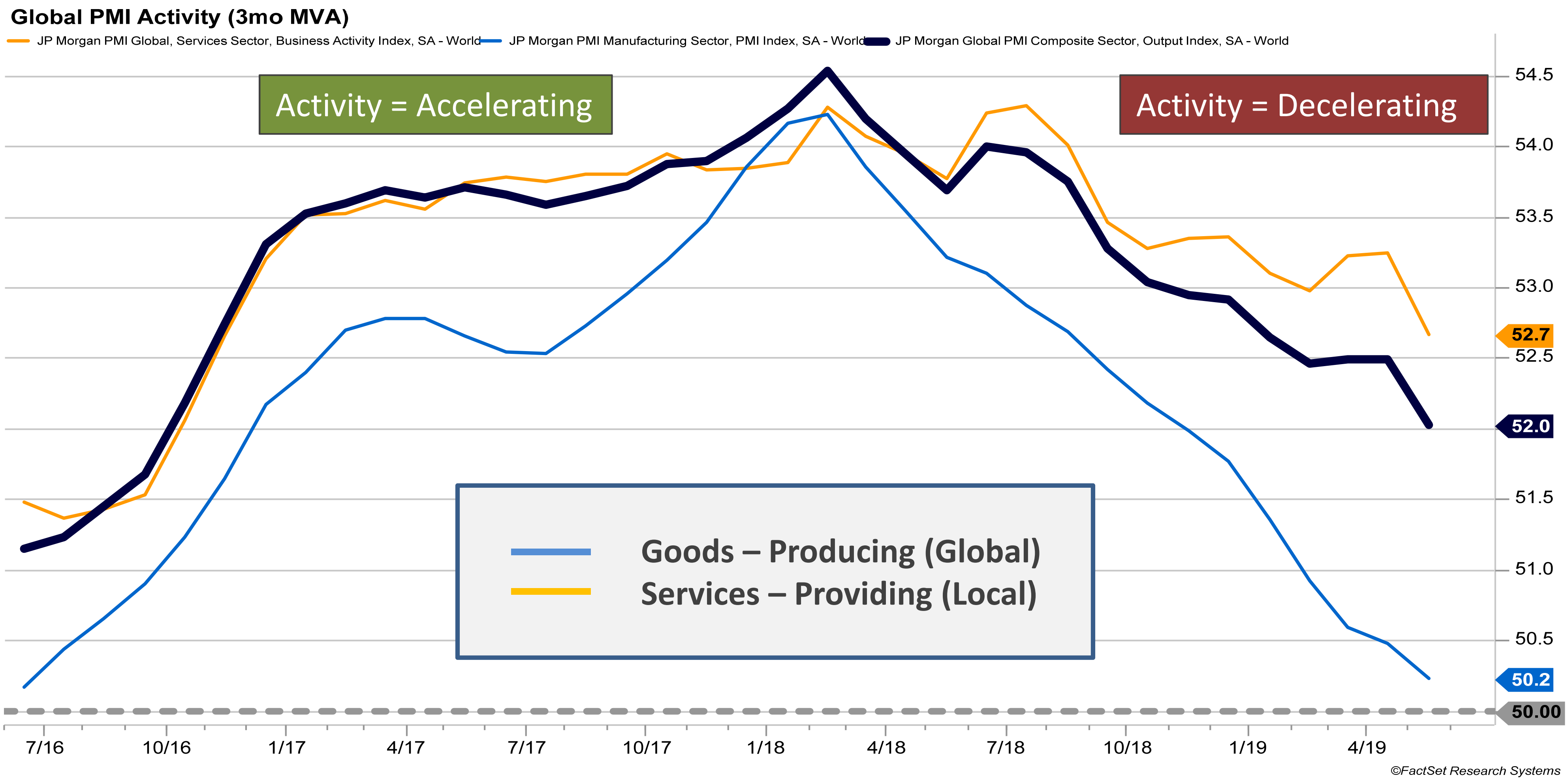
- Many “round trips” begin their decline when sentiment becomes concerned about the future path of profits and complete their rebound when sentiment improves
- This “round trip” started with the S&P 500 (blue line) at an all-time high and concluded back at the high’s roughly seven months later, a similar path has been followed by profit <u>expectations</u> (gold line)



Observation #4

Profit Expectations come from Business Activity

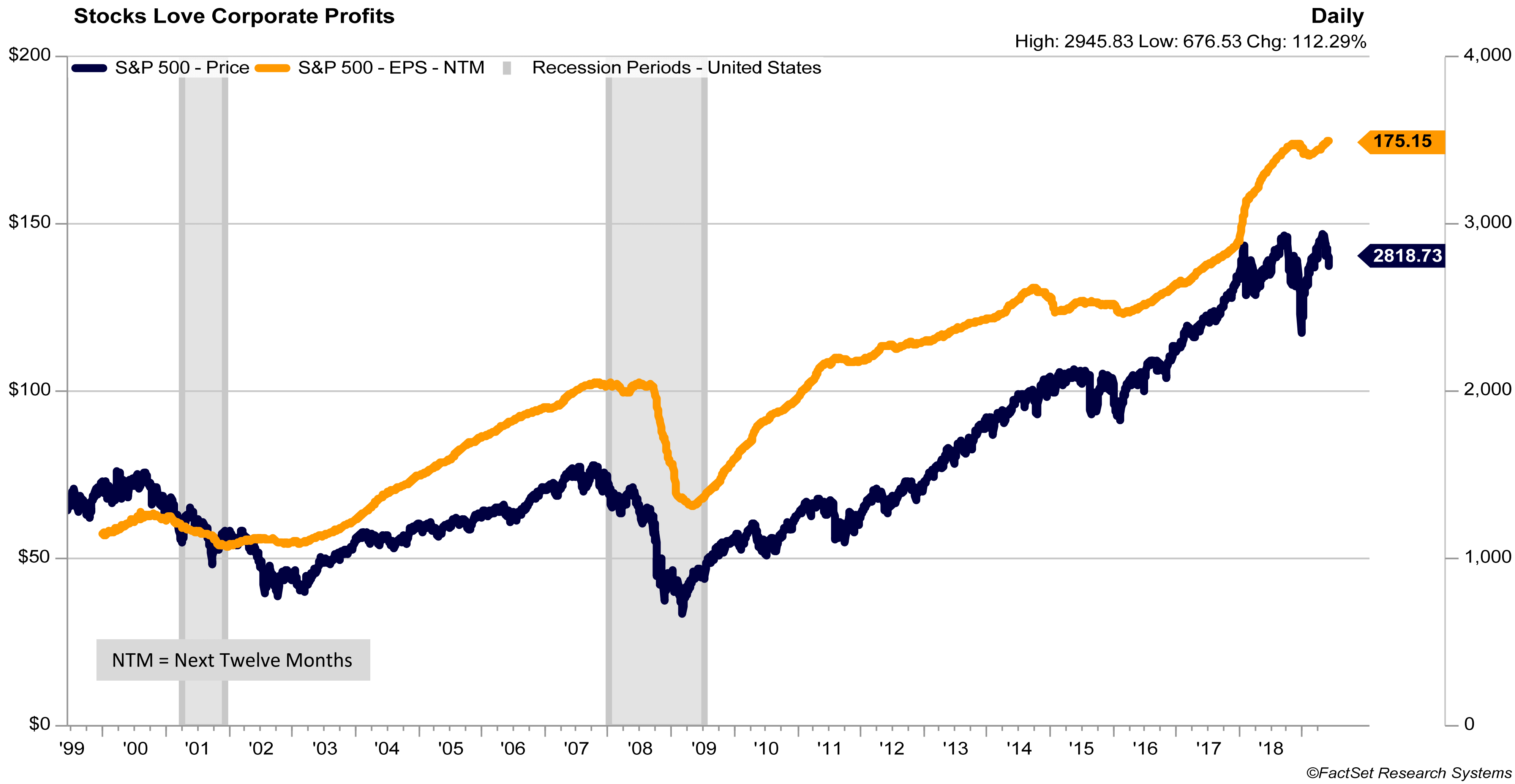
- Rising profits are derived from healthy business activity, so when measures of business activity, like the Purchasing Managers Indices, are accelerating - profit expectations are likely rising
- Recent data from the Goods Producing (Manufacturing) sectors of the economy are not providing a lot of confidence in the path of future profits



Observation #4

Profit Expectations come from Business Activity

- It may become increasingly difficult to justify higher stock prices (blue line) if the profit picture (gold line) can't be reconciled by business activity that remains soft, particularly within the Goods Producing sectors of the global economy.



Observation #5

Slumping Global Trade

- The manufacturing sector is dependent on the health of global growth and trade. In the age of "globalization", goods are produced around the world and shipped to consumers across continents.
- Synchronized global growth peaked (yellow boxes) in late 2017 and has experienced a rapid deceleration toward contraction (red boxes) in recent months.

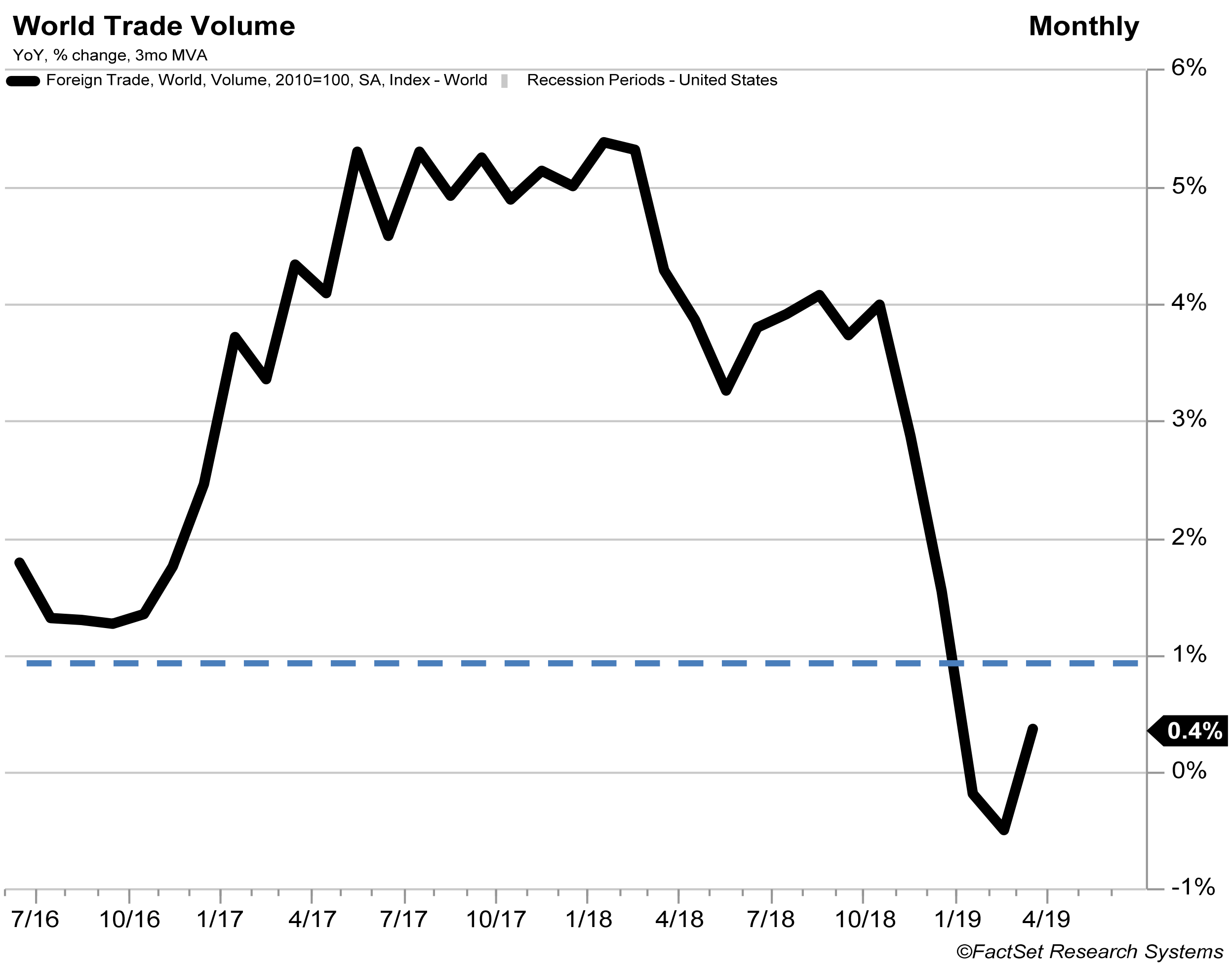
	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	3Mo MA
World	52.5	52.5	52.6	53.1	53.2	53.4	53.9	54.4	54.3	54.0	53.2	53.4	53.0	52.9	52.7	52.5	52.1	52.0	51.9	51.4	50.8	50.6	50.5	50.3	50.5
Developed	54.1	53.8	53.9	54.2	54.6	55.2	55.8	56.2	56.3	55.7	54.8	55.1	54.7	54.4	54.0	53.8	53.6	53.2	52.8	52.3	51.8	50.4	49.9	50.3	50.2
Emerging	50.5	50.8	50.9	51.7	51.4	51.2	51.5	52.1	51.8	51.9	51.3	51.3	51.1	51.2	51.0	50.8	50.3	50.5	50.7	50.3	49.5	50.6	51.0	50.5	50.7
USA	52.7	52.0	53.3	52.8	53.1	54.6	53.9	55.1	55.5	55.3	55.6	56.5	56.4	55.4	55.3	54.7	55.6	55.7	55.3	53.8	54.9	53.0	52.4	52.6	52.7
UK	56.5	54.2	55.5	57.0	55.5	56.6	58.2	55.7	55.2	55.3	54.8	53.8	54.3	54.0	53.9	52.9	53.7	51.1	53.3	54.3	52.8	52.1	55.1	53.1	53.4
Canada	55.1	54.7	55.5	54.6	55.0	54.3	54.4	54.7	55.9	55.6	55.7	55.5	56.2	57.1	56.9	56.8	54.8	53.9	54.9	53.6	53.0	52.6	50.5	49.7	50.9
Australia	54.8	55.0	56.0	59.8	54.2	51.1	57.3	56.2	58.7	57.5	63.1	58.3	57.5	57.4	52.0	56.7	59.0	58.3	51.3	49.5	52.5	54.0	51.0	54.8	53.3
Euro Zone	57.0	57.4	56.6	57.4	58.1	58.5	60.1	60.6	59.6	58.6	56.6	56.2	55.5	54.9	55.1	54.6	53.2	52.0	51.8	51.4	50.5	49.3	47.5	47.9	48.2
Germany	59.5	59.6	58.1	59.3	60.6	60.6	62.5	63.3	61.1	60.6	58.2	58.1	56.9	55.9	56.9	55.9	53.7	52.2	51.8	51.5	49.7	47.6	44.1	44.4	45.4
Italy	55.1	55.2	55.1	56.3	56.3	57.8	58.3	57.4	59.0	56.8	55.1	53.5	52.7	53.3	51.5	50.1	50.0	49.2	48.6	49.2	47.8	47.7	47.4	49.1	48.1
France	53.8	54.8	54.9	55.8	56.1	56.1	57.7	58.8	58.4	55.9	53.7	53.8	54.4	52.5	53.3	53.5	52.5	51.2	50.8	49.7	51.2	51.5	49.7	50.0	50.4
Ireland	55.9	56.0	54.6	56.1	55.4	54.4	58.1	59.1	57.6	56.2	54.1	55.3	55.4	56.6	56.3	57.5	56.3	54.9	55.4	54.5	52.6	54.0	53.9	52.5	53.5
Greece	49.6	50.5	50.5	52.2	52.8	52.1	52.2	53.1	55.2	56.1	55.0	52.9	54.2	53.5	53.5	53.9	53.6	53.1	54.0	53.8	53.7	54.2	54.7	56.6	55.2
Spain	55.4	54.7	54.0	52.4	54.3	55.8	56.1	55.8	55.2	56.0	54.8	54.4	53.4	53.4	52.9	53.0	51.4	51.8	52.6	51.1	52.4	49.9	50.9	51.8	50.9
China	49.6	50.4	51.1	51.6	51.0	51.0	50.8	51.5	51.5	51.6	51.0	51.1	51.1	51.0	50.8	50.6	50.0	50.1	50.2	49.7	48.3	49.9	50.8	50.2	50.3
India	51.6	50.9	47.9	51.2	51.2	50.3	52.6	54.7	52.4	52.1	51.0	51.6	51.2	53.1	52.3	51.7	52.2	53.1	54.0	53.2	53.9	54.3	52.6	51.8	52.9
Japan	53.1	52.4	52.1	52.2	52.9	52.8	53.6	54.0	54.8	54.1	53.1	53.8	52.8	53.0	52.3	52.5	52.5	52.9	52.2	52.6	50.3	48.9	49.2	50.2	49.4
South Korea	49.2	50.1	49.1	49.9	50.6	50.2	51.2	49.9	50.7	50.3	49.1	48.4	48.9	49.8	48.3	49.9	51.3	51.0	48.6	49.8	48.3	47.2	48.8	50.2	48.7
Taiwan	53.1	53.3	53.6	54.3	54.2	53.6	56.3	56.6	56.9	56.0	55.3	54.8	53.4	54.5	53.1	53.0	50.8	48.7	48.4	47.7	47.5	46.3	49.0	48.2	47.8
Indonesia	50.5	49.5	48.6	50.7	50.4	50.1	50.4	49.3	49.9	51.4	50.7	51.6	51.7	50.3	50.5	51.9	50.7	50.5	50.4	51.2	49.9	50.1	51.2	50.4	50.6
Russia	52.4	50.3	52.7	51.6	51.9	51.1	51.5	52.0	52.1	50.2	50.6	51.3	49.8	49.5	48.1	48.9	50.0	51.3	52.6	51.7	50.9	50.1	52.8	51.8	51.6
Brazil	52.0	50.5	50.0	50.9	50.9	51.2	53.5	52.4	51.2	53.2	53.4	52.3	50.7	49.8	50.5	51.1	50.9	51.1	52.7	52.6	52.7	53.4	52.8	51.5	52.6
Mexico	51.2	52.3	51.2	52.2	52.8	49.2	52.4	51.7	52.6	51.6	52.4	51.6	51.0	52.1	52.1	50.7	51.7	50.7	49.7	49.7	50.9	52.6	49.8	50.1	50.8

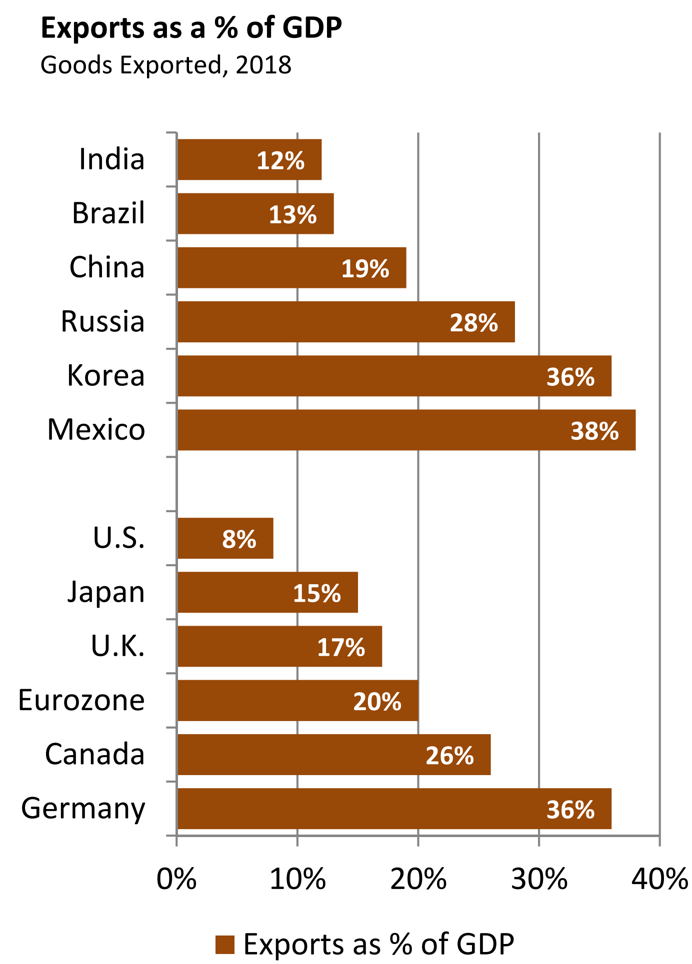
Source: Markits PMI, Fact Set Systems

Observation #5

Slumping Global Trade

- While global growth was destined to slow from unsustainable levels, it is clear that the rise of trade tensions has had an unmistakable impact on global trade (chart left)
- Production and trade are important to the economies of most countries, but for some it is of greater importance than others (chart right) and the economic fallout may be significant



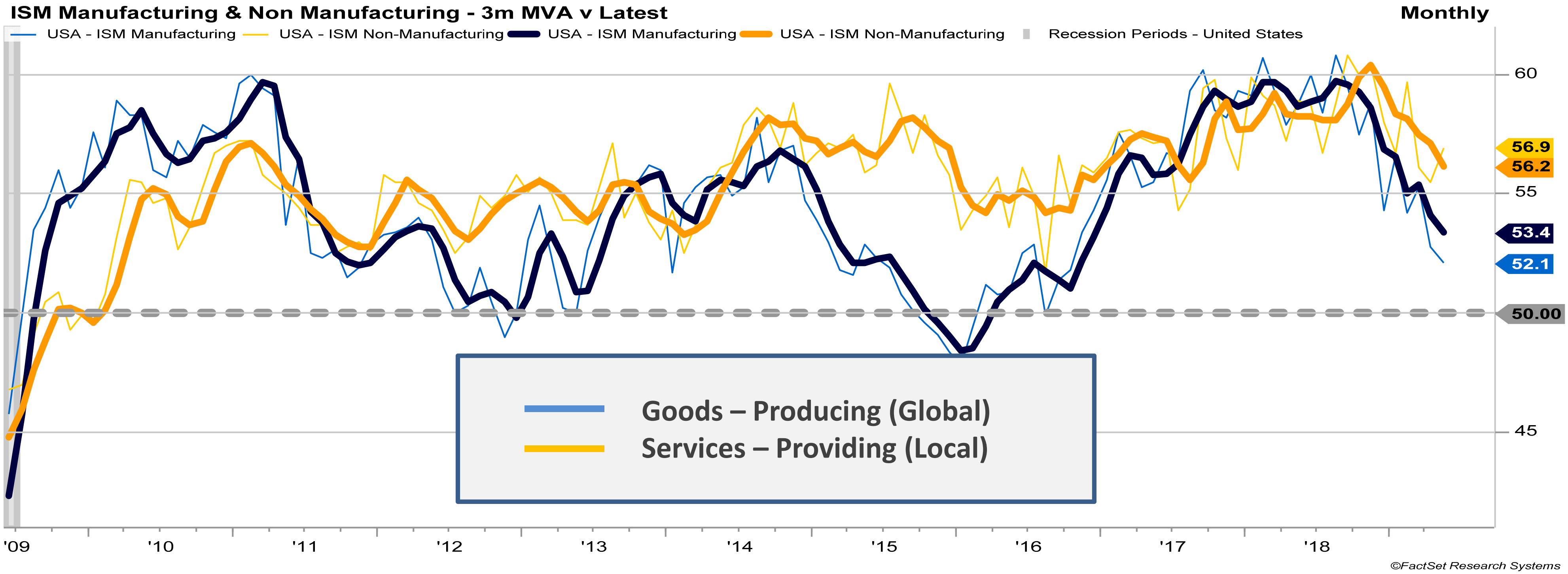


Source: IMF

Observation #6

Goods versus Services

- The emergence of globalization, which accelerated during the 1990's, had a profound impact on the Goods Producing (manufacturing) segments of the economy vs. the Services Providing segments
- Services (gold line) tend to be generated and delivered locally with greater stability, while Goods (blue line) are produced and transported from many regions of the globe



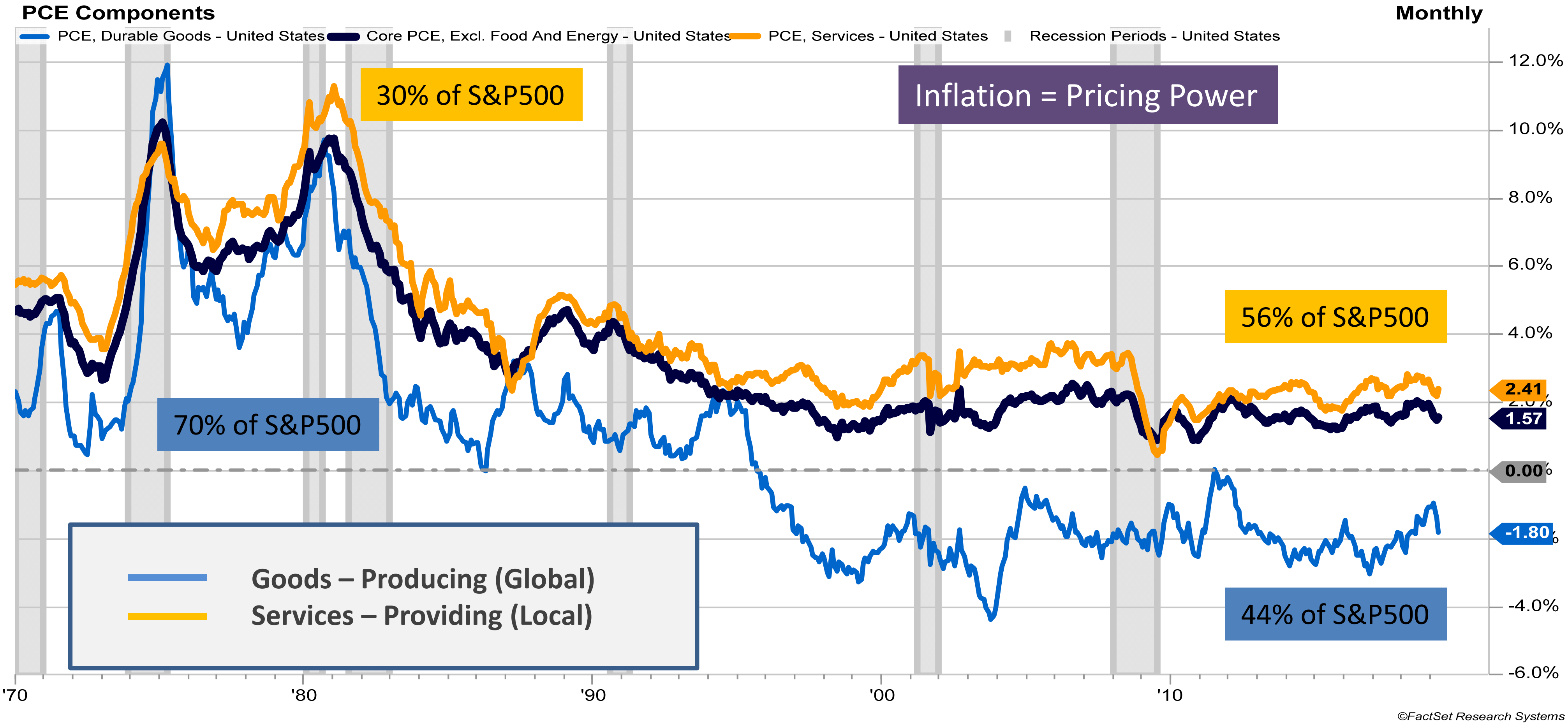
	# of Stocks	% of S&P	Int'l Sales	EPS 2019	EPS 2020	Sales 2019	Sales 2020	LTM	YTD
Services	260	56%	20%	7%	10%	9%	6%	15%	20%
Goods	240	44%	45%	(2%)	12%	0%	5%	12%	18%
S&P 500	500	100%	30%	3%	12%	6%	6%	14%	18%

Source: Goldman Sachs Global Investment Research

Observation #6

Goods versus Services

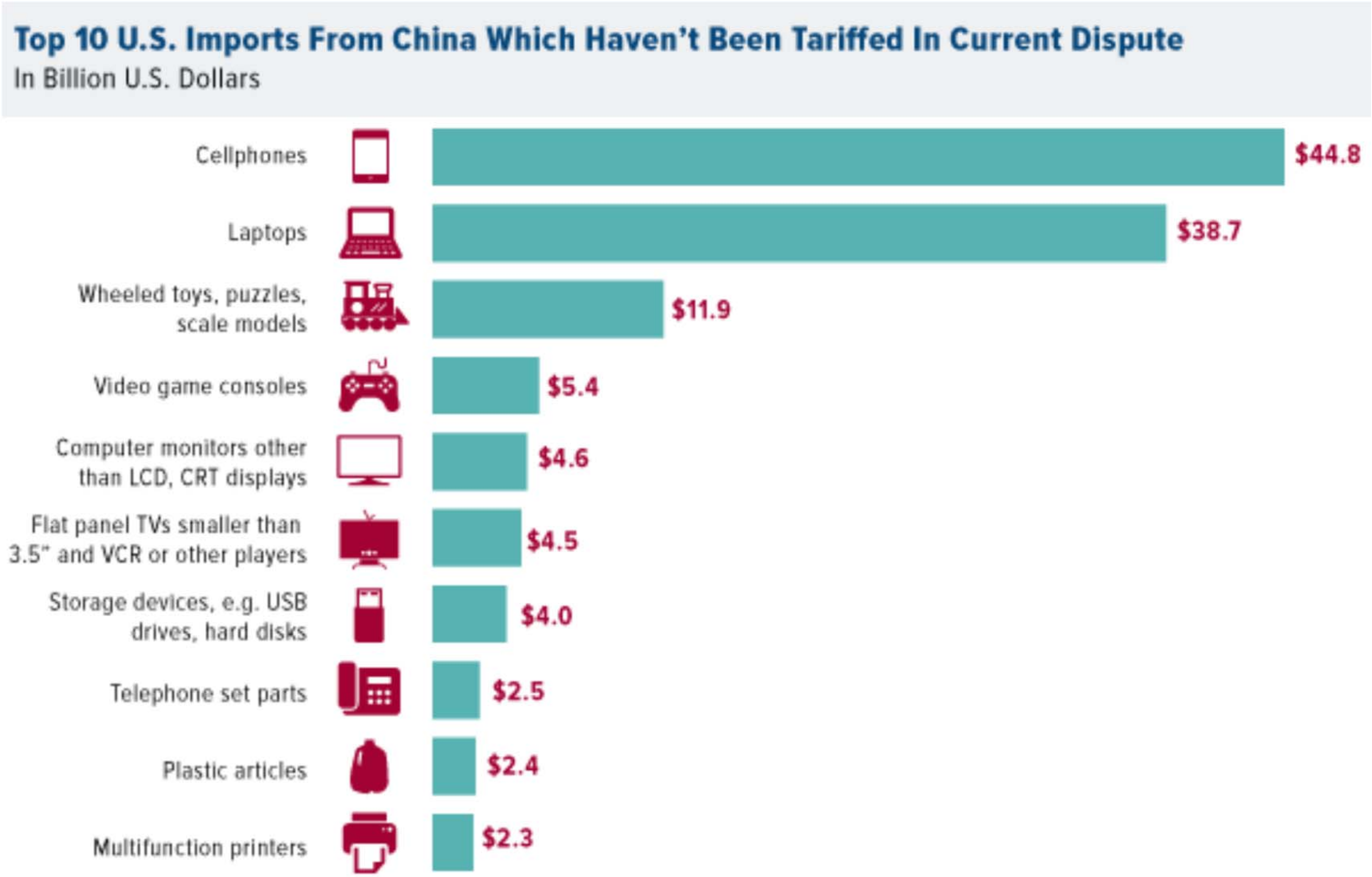
- Globalization has emphasized low cost manufacturing and generated a significant deflationary environment for goods sold in the United States (light blue line) while the services sector (gold line) has maintained a healthy level of pricing power.
- If trade tensions lead to sustained tariffs or cause manufacturing sectors to shift production to higher cost geographies, what might we expect the inflationary consequences to be for the US consumer?



Observation #7

Tariffs and the Consumer

- Tariffs have been raised on approximately $250B of goods that are imported to the United States from China each year, from the original 10% to 25%. There are an additional $300B of goods that could be subject to tariffs but have yet to be included.
- Will the US consumer be willing to pay higher prices for the goods on this list? How much more?

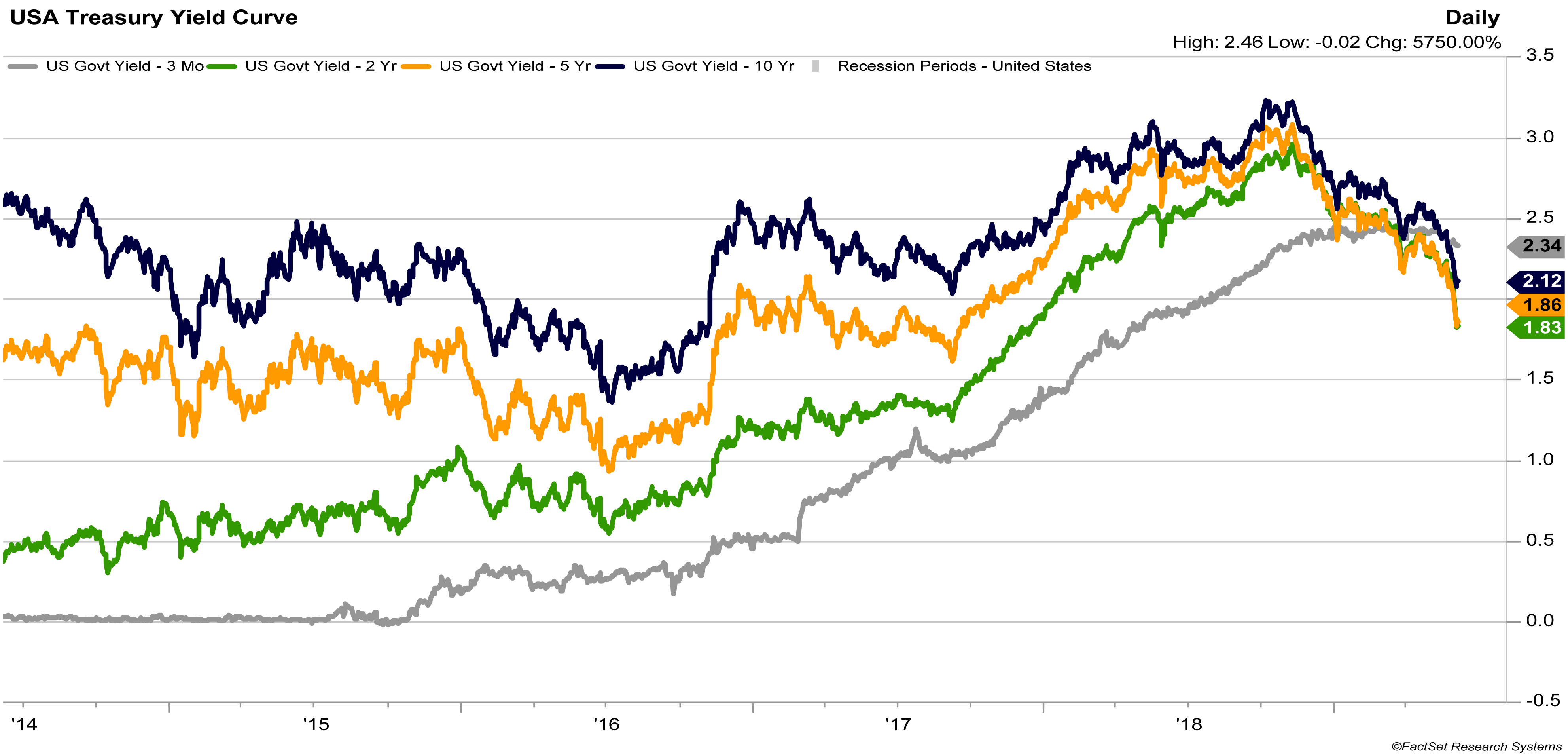


Source: U.S. International Trade Commission, Bloomberg, U.S. Global Investors

Observation #8

Growth vs Inflation

- Observing the shape of the yield curve can be insightful as to the concerns that bond investors hold in that moment.
- With the yield on 3 month US Treasury Bills (gray) now exceeding the yield of 2 year (green), 5 year (gold) and 10 year (blue) Notes, the bond market may be suggesting that the economic growth trajectory is at greater risk than is rising inflation.



Observation #8

Growth vs Inflation

- The flattening of the Yield Curve, and especially an Inversion (when long rates drop below the level of short rates) can be a signal from bond investors that the Federal Reserve has moved rates higher and/or faster than the economy can absorb and threatens to choke off growth.
- The Federal Reserve's record of managing an economic "soft landing" has been suspect, at best.

What Usually Happens After the Fed Tightens Rates?

Tightening Cycle Began In:	U.S. Manufacturing PMI Fell Below 50	EPS Recession	GDP Recession
1954	YES	YES	YES
1958	YES	YES	YES
1961	YES	YES	NO
1967	YES	YES	YES
1972	YES	YES	YES
1977	YES	YES	YES
1980	YES	YES	YES
1983	YES	YES	NO
1988	YES	YES	YES
1994	YES	NO	NO
1999	YES	YES	YES
2004	YES	YES	YES
Hit Rates	**100%**	**92%**	**75%**

Source: Cornerstone Macro, U.S. Global Investors

Observation #9

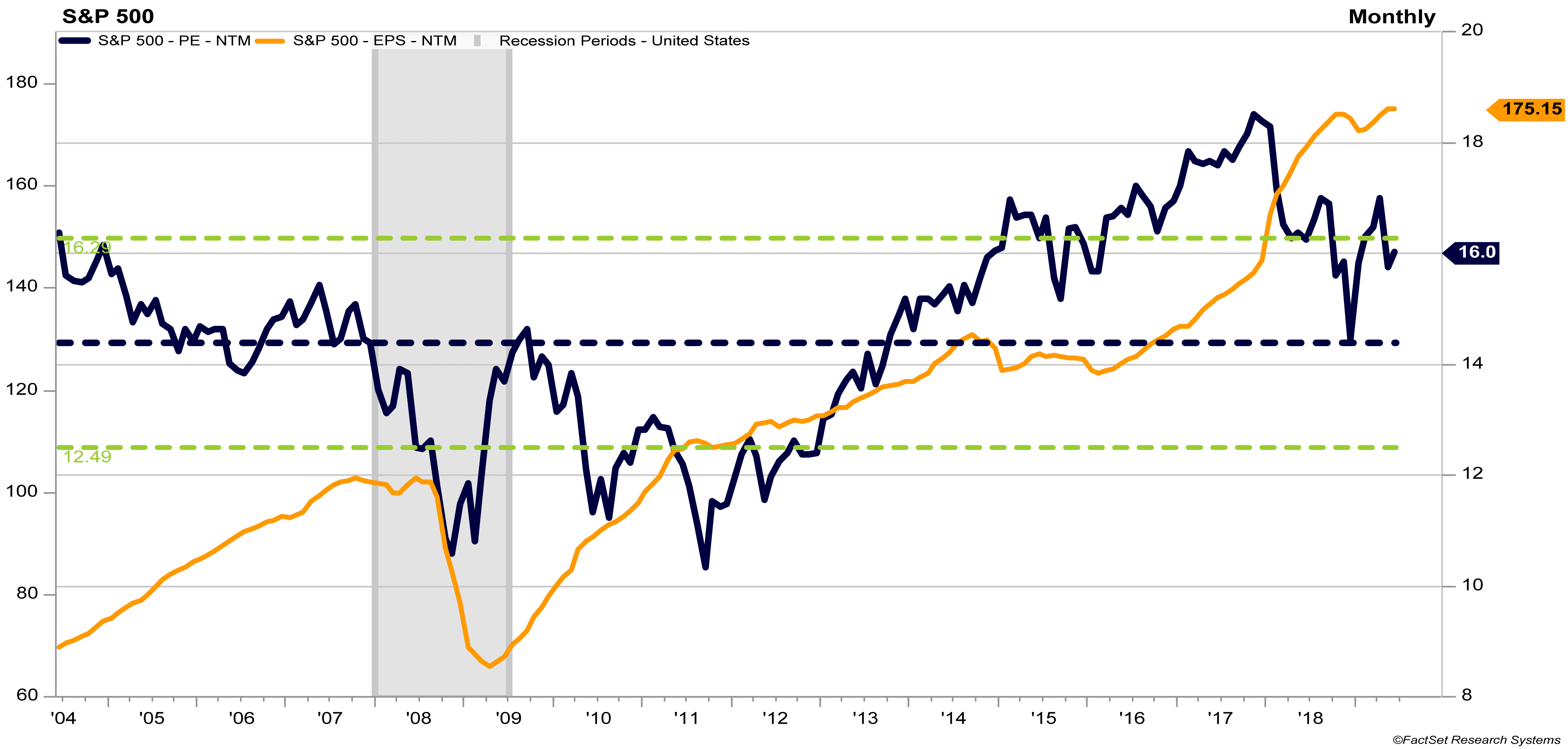
Optimists versus Pessimists

- Stock investors (blue line) have been more optimistic in recent months, believing that the Federal Reserve will supply stimulus (rate cuts) to a slowing economy.
- Bond investors (green line) have become particularly pessimistic regarding the outlook for economic growth and expect inflation to remain very benign.

Observation #9

Optimists versus Pessimists

- Investors believe that the dip in earnings for the S&P 500 (gold line) is merely temporary and are forecasting profit growth of near 9% over the next twelve months.
- As measured by the Price/Earnings ratio (blue line), the stock market does not appear to be overly expensive, but can not be considered a bargain either. It depends on whether you believe the earnings trajectory will remain positive or is destined to fall short of expectations in the coming months.



Observation #10

Diversification Proves Its Value

- The impact of the Asset Allocation decision is most prevalent when market volatility rises

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	20Y CAGR
MSCI EM 67.1%	Bloomberg Commodity 24.2%	HFRX Hedge Fund 8.7%	Bloomberg Commodity 23.9%	MSCI EM 55.8%	MSCI EM 26.0%	MSCI EM 34.3%	MSCI EM 32.5%	MSCI EM 39.7%	Barclays U.S. Agg 5.2%	MSCI EM 78.9%	Russell 2000 26.8%	Barclays U.S. Municipal 10.7%	MSCI EM 18.6%	Russell 2000 38.8%	S&P 500 13.7%	Barclays U.S. Municipal 3.3%	Russell 2000 21.3%	MSCI EM 37.8%	Barclays U.S. Municipal 1.3%	MSCI EM 8.8%
MSCI EAFE 27.8%	HFRX Hedge Fund 14.3%	Barclays U.S. Agg 8.4%	Barclays U.S. Agg 10.3%	Russell 2000 47.3%	MSCI EAFE 20.8%	Bloomberg Commodity 17.5%	MSCI EAFE 27.0%	MSCI EAFE 11.7%	Barclays U.S. Municipal -2.5%	Barclays U.S. High Yield 58.2%	MSCI EM 19.2%	Barclays U.S. Agg 7.8%	MSCI EAFE 18.0%	S&P 500 32.4%	Barclays U.S. Municipal 9.1%	S&P 500 1.4%	Barclays U.S. High Yield 17.1%	MSCI EAFE 25.7%	Barclays U.S. Agg 0.0%	Russell 2000 7.4%
HFRX Hedge Fund 26.7%	Barclays U.S. Municipal 11.7%	Barclays U.S. High Yield 5.3%	Barclays U.S. Municipal 9.6%	MSCI EAFE 39.3%	Russell 2000 18.3%	MSCI EAFE 14.1%	Russell 2000 18.3%	Bloomberg Commodity 11.1%	RP4 -21.2%	MSCI EAFE 32.6%	Bloomberg Commodity 16.7%	Barclays U.S. High Yield 5.0%	Russell 2000 16.4%	MSCI EAFE 23.4%	Barclays U.S. Agg 6.0%	Barclays U.S. Agg 0.5%	S&P 500 12.0%	S&P 500 21.8%	Barclays U.S. High Yield -2.1%	Barclays U.S. High Yield 6.6%
Russell 2000 21.3%	Barclays U.S. Agg 11.6%	Barclays U.S. Municipal 5.1%	HFRX Hedge Fund 4.7%	Barclays U.S. High Yield 29.0%	Barclays U.S. High Yield 11.1%	RP3 7.9%	S&P 500 15.8%	RP3 9.9%	HFRX Hedge Fund -23.3%	Russell 2000 27.1%	Barclays U.S. High Yield 15.1%	S&P 500 2.1%	S&P 500 16.0%	RP3 13.9%	Russell 2000 4.9%	MSCI EAFE -0.3%	MSCI EM 11.8%	RP3 16.3%	S&P 500 -4.4%	S&P 500 5.6%
S&P 500 21.0%	RP4 -0.2%	Russell 2000 2.5%	Barclays U.S. High Yield -1.4%	S&P 500 28.7%	RP3 11.0%	RP4 6.6%	RP3 15.0%	RP4 9.2%	Barclays U.S. High Yield -26.2%	S&P 500 26.4%	S&P 500 15.1%	RP4 -1.2%	Barclays U.S. High Yield 15.8%	RP4 10.1%	RP3 4.8%	RP4 -0.6%	Bloomberg Commodity 11.4%	Russell 2000 14.6%	RP4 -4.6%	RP3 5.0%
RP3 18.8%	Russell 2000 -3.1%	MSCI EM -2.4%	RP4 -4.2%	RP3 22.9%	S&P 500 10.9%	S&P 500 4.9%	RP4 12.4%	Barclays U.S. Agg 7.0%	RP3 -28.0%	RP3 24.3%	RP3 11.1%	RP3 -3.1%	RP3 11.8%	Barclays U.S. High Yield 7.4%	RP4 4.7%	RP3 -1.0%	RP3 6.1%	RP4 12.9%	RP3 -6.1%	RP4 4.8%
Bloomberg Commodity 18.6%	RP3 -3.9%	RP4 -2.7%	MSCI EM -5.9%	Bloomberg Commodity 22.7%	RP4 9.1%	Russell 2000 4.5%	Barclays U.S. High Yield 11.8%	S&P 500 5.6%	Russell 2000 -33.8%	RP4 19.6%	RP4 9.9%	Russell 2000 -4.2%	RP4 9.8%	HFRX Hedge Fund 6.7%	Barclays U.S. High Yield 2.5%	HFRX Hedge Fund -3.6%	RP4 5.2%	Barclays U.S. High Yield 7.5%	HFRX Hedge Fund -6.7%	Barclays U.S. Municipal 4.6%
RP4 14.7%	Barclays U.S. High Yield -5.9%	RP3 -6.3%	RP3 -8.4%	RP4 18.1%	Bloomberg Commodity 7.6%	Barclays U.S. Municipal 3.5%	HFRX Hedge Fund 9.3%	HFRX Hedge Fund 4.2%	Bloomberg Commodity -36.6%	Bloomberg Commodity 18.7%	MSCI EAFE 8.3%	HFRX Hedge Fund -8.9%	Barclays U.S. Municipal 6.8%	Barclays U.S. Agg -2.0%	HFRX Hedge Fund -0.6%	Russell 2000 -4.4%	Barclays U.S. Agg 2.6%	HFRX Hedge Fund 6.0%	Russell 2000 -11.0%	Barclays U.S. Agg 4.5%
Barclays U.S. High Yield 2.4%	S&P 500 -9.1%	S&P 500 -11.9%	MSCI EAFE -15.6%	HFRX Hedge Fund 13.4%	Barclays U.S. Municipal 4.5%	Barclays U.S. High Yield 2.7%	Barclays U.S. Municipal 4.8%	Barclays U.S. Municipal 3.4%	S&P 500 -37.0%	HFRX Hedge Fund 13.4%	Barclays U.S. Agg 6.5%	MSCI EAFE -11.7%	Barclays U.S. Agg 4.2%	MSCI EM -2.3%	MSCI EM -2.0%	Barclays U.S. High Yield -4.5%	HFRX Hedge Fund 2.5%	Barclays U.S. Municipal 5.4%	Bloomberg Commodity -13.0%	MSCI EAFE 4.1%
Barclays U.S. Agg -0.8%	MSCI EAFE -13.8%	MSCI EAFE -21.0%	Russell 2000 -20.5%	Barclays U.S. Municipal 5.3%	Barclays U.S. Agg 4.3%	HFRX Hedge Fund 2.7%	Barclays U.S. Agg 4.3%	Barclays U.S. High Yield 1.9%	MSCI EAFE -43.0%	Barclays U.S. Municipal 12.9%	HFRX Hedge Fund 5.2%	Bloomberg Commodity -13.4%	HFRX Hedge Fund 3.5%	Barclays U.S. Municipal -2.6%	MSCI EAFE -4.3%	MSCI EM -14.6%	MSCI EAFE 1.6%	Barclays U.S. Agg 3.5%	MSCI EAFE -13.3%	HFRX Hedge Fund 3.5%
Barclays U.S. Municipal -2.1%	MSCI EM -30.7%	Bloomberg Commodity -22.3%	S&P 500 -22.1%	Barclays U.S. Agg 4.1%	HFRX Hedge Fund 2.7%	Barclays U.S. Agg 2.4%	Bloomberg Commodity -2.7%	Russell 2000 -1.6%	MSCI EM -53.2%	Barclays U.S. Agg 5.9%	Barclays U.S. Municipal 2.4%	MSCI EM -18.2%	Bloomberg Commodity -1.1%	Bloomberg Commodity -9.6%	Bloomberg Commodity -17.0%	Bloomberg Commodity -24.7%	Barclays U.S. Municipal 0.2%	Bloomberg Commodity 0.7%	MSCI EM -14.5%	Bloomberg Commodity -0.1%
STOCKS	BONDS	BONDS	BONDS	STOCKS	STOCKS	STOCKS	STOCKS	STOCKS	BONDS	STOCKS	STOCKS	BONDS	STOCKS	STOCKS	STOCKS	BONDS	STOCKS	STOCKS	BONDS	STOCKS

Source: Bloomberg LP. All data represents total return for the stated period. RP Groups are rebalanced monthly. Past performance is not indicative of future returns. Data are as of 12/31/18.

Observation #10

The Strategic Risk Profile Quilt (1999-2018)

The Periodic Table of Investment Returns highlights the benefits inherent to diversifying investment portfolios among different asset classes and geographical regions. The rankings are highly variable from year to year and clearly depict the unpredictability of returns. This table displays annual returns for 9 different indices over the last 20 years. Each year, the indices are ranked according to their annual performance, with the best performing index at the top. Vigilant Capital Management utilizes the indices below as proxies for each asset class and to evaluate investment performance. Brief descriptions of each index can be found below. Past performance is not indicative of future returns.

Asset Class	Index - Description
Equity	**S&P 500** – measures the performance of large-cap US stocks. The S&P 500 is a market-value-weighted index of 500 stocks that are traded on the NYSE, AMEX, and NASDAQ.
	Russell 2000 – measures the performance of small-cap US stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index. These securities are traded on the NYSE, AMEX, and NASDAQ.
	MSCI EAFE – is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.
	MSCI Emerging Markets - is a Morgan Stanley Capital International Index that is designed to measure the performance of equity markets in 21 emerging countries around the world.
Fixed Income	**Barclays U.S. Aggregate Bond –** U.S. index that measures the performance of the U.S. aggregate bond markets that include sovereign, government agency, asset-backed and corporate securities with maturities of at least one year.
	Barclays US High Yield Bond – measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P 500 is Ba1/BB+/BB+ or below, excluding EM debut
	Barclays U.S. Municipal Bond – (formerly the Lehman Brothers Municipal Bond Index) includes approximate 1,100 US municipal bonds; 60% of which are revenue bonds and 40% of which are state government obligations
Alternatives	**Bloomberg Commodity Total Return** – (formerly the Dow Jones – UBS Commodity Index) is comprised of 22 exchange-traded futures on physical commodities. The index represents 20 commodities, which are weighted to account for economic significance and market liquidity. In addition , this index includes returns on cash collateral invested in 13 week (3 Month) U.S. Treasury Bills.
	HRFX Global Hedge Fund Index – is designed to be representative of the overall composition of the hedge fund universe. It is compromised of all eligible hedge fund strategies. The index uses quantitative techniques and analysis to ensure the Index is a pure representation of its corresponding investment focus.
Risk Profiles	**RP3 –** is an asset allocation model comprised of 60% MSCI ACWI equity index, 30% Barclays US Aggregate bond index, 5% HRFX Global Hedge Fund Index, 5% HRFC Equity Hedge Index. The RP3 model is rebalanced monthly
	RP4 – is an asset allocation model comprised of 45% MSCI ACWI equity index, 40% Barclays US Aggregate bond index, 5% HRFX Global Hedge Fund Index, 5% HRFC Equity Hedge Index, 5% US Treasury 1-3 Yr maturity. The RP4 model is rebalanced monthly

Disclosure

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Any performance data quoted or expressed in graphs and commentary represent past performance and is not a guarantee of future results. Investing involves risk and you could lose all or a portion of the value of your investment portfolio. The value of your investment portfolio and your investment return will fluctuate based on changes in the value of your portfolio investments. In the future, your investment portfolio may be worth more or less. This document does not represent the investments that may or may not be held in your investment portfolio.

Please contact Vigilant Capital Management, LLC if there are any changes in your financial situation or investment objectives, or if you wish to impose, add or modify any reasonable restrictions to the management of your account.

Vigilant Capital Management, LLC completes and updates regulatory filings with the SEC as required. Please refer to the Firm's ADV Part 1, Part 2A and Part 2B filings for important information about how the Firm manages investment portfolios, what fees may apply to investment portfolios, important Firm disclosures, and information about employees that may participate in the investment process of the Firm. These filings may be viewed at www.sec.gov and are available upon request.

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