Investment Advisory Group

Insights

SunTrust Advisory Services, Inc. | SunTrust Private Wealth

Our 2018 themes remain largely intact…

Economy

Cruise Control

Global growth is now past peak momentum, but underlying trends remain healthy, and near-term recession risks appear low.

In the US, the tax cuts and new two-year federal budget should help lift annual growth above 3%, exceeding the fastest pace of this recovery.

Geopolitical uncertainty remains a key risk to our outlook, with protectionism and trade a growing concern, while important elections lay ahead.

Equity

Bullish but Bumpier

The market path this year has been *bumpier*, consistent with our expectations. Volatility is likely to remain high given geopolitical and rate uncertainty.

Investors, though, should continue to give the bull market the benefit of the doubt given a solid global economy and strong profits. Valuations have also improved after the first-quarter correction.

We maintain a slight US equity tilt, though less so than in years past, see relative opportunity in midcaps and cyclical sectors, and remain positive on Japan and emerging markets.

Fixed Income

Step Up

We continue to *step up* our focus on high quality within fixed income.

The 10-year US Treasury yield has seen a *step up* from last year, and the bias remains moderately higher. After raising rates in March, we anticipate that the Fed will hike rates two more times in 2018.

Higher-quality bonds should act as a ballast during periods of market volatility. We also still see value in bank loans as a hedge against rising rates.

Non-Traditional Investments

Given our outlook for a positive but *bumpier* path for stocks and headwinds for bonds, non-traditional strategies take on, arguably, heightened importance. Additionally, the hedge fund industry continues to mature and gather more assets.

FIRST QUARTER MARKET RECAP

INVESTMENT ADVISORY GROUP

First Quarter Recap

All of the major global markets sank during March and endured more of the volatility that began in February as trade tensions ratcheted higher. Thus, back-to-back negative months spelled an end to the nine-quarter rally for most markets.

Volatility picked up as the White House announced fresh new tariffs on imported aluminum and steel, though allowed for many exemptions. China then slapped tariffs on certain US-made goods in retaliation.

Still, US stocks rebounded sharply to end the month, but it was too little too late to save March returns and the first quarter. On a sector level, 3 of the 11 S&P 500 sectors finished positive for March, but just 2 were upright for the first quarter.

Despite the increase in trade tensions, emerging markets managed to stay in positive territory for the first quarter thanks to a massive January rally. On a country level, Japan also bucked the trend by scoring positive returns for the quarter.

Turning to rates, as widely anticipated, the Federal Reserve raised the federal funds target rate by a quarter point to a range of 1.50% to 1.75% at its March meeting. It was the sixth quarter-point rate hike in the past 28 months. Meanwhile, some early data—including sluggish retail and auto sales as well as weaker multifamily construction—painted a softer picture for the first quarter.

Subsequently, the yield curve flattened somewhat during March—as yields for shorter maturities rose and longer yields fell, but yields continued to climb across the board during the first quarter. The 10-year US Treasury yield flirted with 3% during February, but drifted lower and eventually ended March at 2.73%.

Most bond indices were able to notch gains for March, though high-yield US corporate bonds declined. Yet, most of the bond indices were down for the quarter, though non-US bonds were a notable exception. Municipal bond returns rebounded in March thanks to tight supply and solid fund inflows, but slumped for the first quarter.

Industrial metals dinged commodities for the month and the quarter, as aluminum and copper fell all three months. Meanwhile, the woes continued for master limited partnerships (MLPs), which fell during March and declined for the fourth straight quarter.

Figure 1: Major Market Returns

Data Source: FactSet; Data as of March 31, 2018. Return values based on indices by MSCI, S&P, Bloomberg, and HFR. Please see disclosure page for index definitions. An investment cannot be directly made into an index.

Although global growth is now past peak momentum and some clouds in the form of nationalism and protectionism have gathered, underlying trends remain healthy and near-term recession risks appear low. In spite of mixed first quarter economic data, we expect that US growth, aided by fiscal stimulus, will reaccelerate above 3% as the year progresses.

Trade & Geopolitics Dominate

Nationalism and protectionism have eclipsed existential threats, such as a nuclear confrontation with North Korea or terrorism. Alas, trade tensions have escalated, but not because of Brexit, which was seemingly the most likely source coming into 2018.

The US lobbed several volleys in the ongoing struggle to level global trade during the first quarter. It began with new tariffs on foreign-made washing machines and solar panels in January and progressed in February to imported aluminum and steel tariffs, albeit with exemptions to close partners such as Canada and Mexico. In March, new tariffs were specifically proposed targeting the Chinese aerospace, technology and machinery industries, openly accusing China of stealing trade secrets, software, patents and other technology. With each move, China countered with planned tariffs on certain US-made goods from pork, soybeans and wine to steel and aircraft in retaliation.

Plainly, we believe that tariffs hamper trade and, ultimately, global growth. At this point, most of the tariffs have been proposed, but not implemented. More importantly, there is reportedly an ongoing US-China dialogue on trade. Thus, we are hopeful that these issues will be negotiated and the tariffs retracted, yet there is an increased risk for missteps.

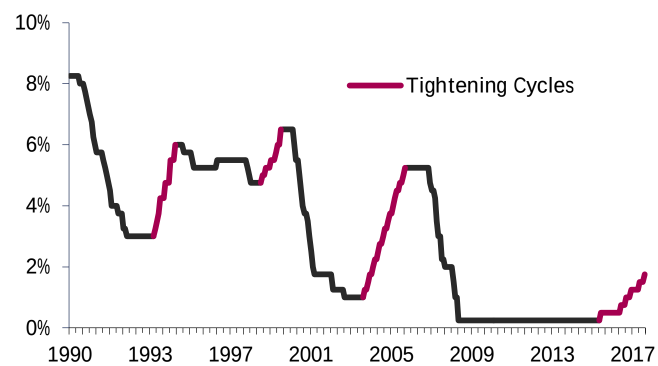
On the geopolitical front, tensions with Russia have also intensified. The United Kingdom, the US and most of the European Union expelled Russian envoys in the aftermath of the poisoning of a former Russian spy and his daughter. Russia reciprocated by booting out more than 100 foreign diplomats.

Such developments complicate an already complex political and geopolitical landscape and generally do not get resolved quickly. Accordingly, we anticipate that trade squabbles, nationalism, protectionism and geopolitics will continue to roil markets for the foreseeable future.

Fed Pushes Forward, But Most on Hold

As widely expected, the Federal Reserve (Fed) boosted its interest rate target by a quarter point to a range of 1.50% to 1.75% at its March meeting. More importantly, this was the sixth quarter-point rate hike in the past 28 months, which makes this the slowest and shallowest rate tightening cycle in 30 years.

Figure 2: Fed Funds Target



Data Sources: Federal Reserve Board, SunTrust IAG. Upper bound shown after December 2008

Afterwards, the People's Bank of China increased rates, while the Central Bank of Brazil cut its benchmark rate, and the Bank of England kept rates unchanged. The European Central Bank, which is wrestling with balancing better growth with a lack of inflation, has begun winding down its bond buying program, but will likely maintain the size of its balance sheet for quite some time. The Bank of Japan remains committed to holding yields near zero.

After roughly a decade of synchronization following the onset of the Great Recession, central banks are slowly adjusting monetary policy to reflect the trends within their respective economies rather than pursuing global stability through extraordinary measures. Ultimately, though modestly reduced in a handful of countries, global monetary policy remains quite accommodative, which we expect will persist for the foreseeable future.

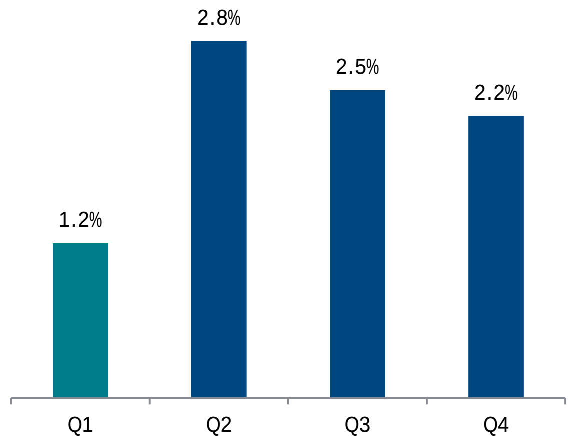
Mixed First Quarter US Data

After a solid second half of 2017, data has been mixed and early indications are painting a softer picture of first quarter US economic growth. Could it be the same seasonality that has impacted gross domestic product (GDP) during most first quarters of this recovery (Figure 3)? Or was it the poor weather, including the powerful hurricanes in the fall coupled with a series of nasty winter storms crippling most of the US? The answer is likely a combination of these.

Among the mixed data have been sluggish retail and auto sales as well as weaker multifamily construction. The decline in retail and auto sales was likely a normal adjustment after both surged in the fourth quarter. Meanwhile, multifamily construction stepped back during 2017, declining 10% after six very strong years. Indeed, all three were impacted by the *step up* in interest rates, which rose nearly 14% during the first quarter.

Yet, these weak spots were contradicted by strong employment trends. Monthly job growth averaged 202,000, which was the highest first quarter average since 2014. Meanwhile, the unemployment rate stayed at 4.1%, and weekly initial jobless claims ratcheted down to a 45-year low. Moreover, US manufacturing activity reached its highest level of the recovery.

Figure 3: Seasonality of Economic Growth: Average US GDP Growth by Quarter: 2010-2017



Data Source: FactSet, SunTrust IAG

Additionally, inflation worries began to perk up in January with climbing crude oil and gasoline prices, which were supported by disciplined global oil producers, along with higher wages. However, average hourly earnings of production and nonsupervisory employees—representing more than 80% of the US workforce—rose 2.4% year-over-year, which has been its average since late 2015.

Nonetheless, we anticipate that US growth will reaccelerate as the year progresses thanks to the substantial benefits from the tax reform package, additional government spending, and a pickup in capital investment. This should help lift 2018 US growth above 3%, which would exceed the fastest annual pace of this recovery.

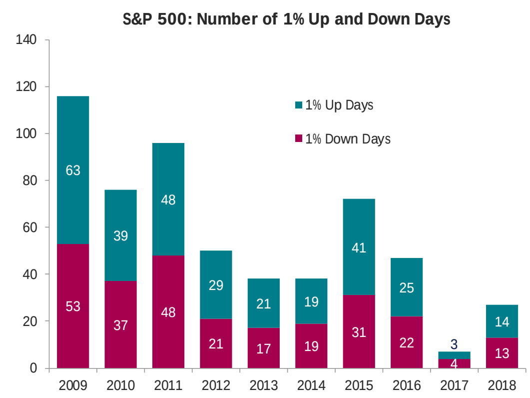
Global equities snapped a nine-quarter winning streak, and US stocks suffered their first 10% correction in two years. Geopolitical uncertainty, which proved to be overstated in 2017, appeared underappreciated heading into 2018. This was one of the main reasons we expected a more volatile path for the stock market this year. Nonetheless, investors should continue to give the bull market the benefit of the doubt given a solid global economy and strong profits. Valuations have also improved following the first-quarter correction.

Volatility Strikes Back

Low volatility years—like 2017—are almost always followed by higher volatility years. This is one of the reasons why, coming into 2018, we anticipated a *bumpier* path for stocks. The initial trigger for market weakness earlier this year was related to rising bond yields and inflation concerns, which was followed by technical selling by traders and quantitative strategies that had benefitted from low volatility. Thereafter, trade protection concerns, technology sector weakness, and mixed global economic trends contributed to the selling.

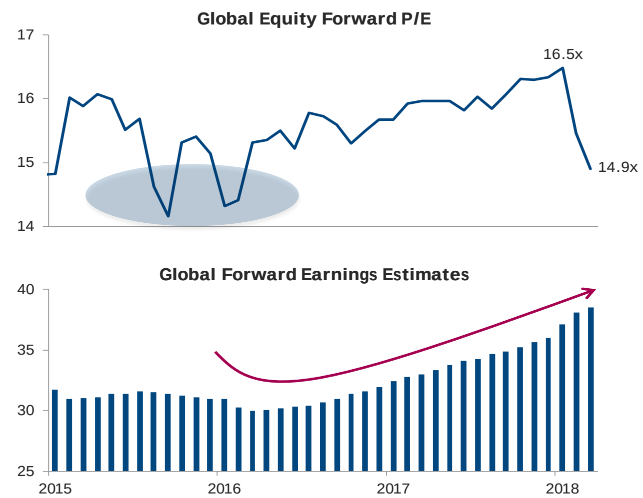
As geopolitical and rate uncertainties linger, day-to-day price swings are likely to persist. The S&P 500 has already had 27 daily moves of greater than or less than 1%. These swings are magnified by the fact that there were only seven ±1% days last year, which is well below the annual average of 60 since 2009.

Figure 4: Volatility Reverts to a More Normal Level



Data Source: FactSet, SunTrust IAG; data through April 6, 2018

Figure 5: Global Equity Valuations at Two-Year Low



Source: FactSet; MSCI, SunTrust IAG; Emerging Markets = MSCI Emerging Markets Index

More Market Upside than Downside

The good news is our work suggests this correction phase has served to alleviate some of the excesses that had been built up and has helped improve the market's foundation.

Indeed, after a steady move higher in 2017, the global stock market accelerated at an unsustainable pace in January but is now back in line with the previous trend. Moreover, the forward price-to-earnings (P/E) ratio for the global equity markets has declined below 15 times for the first time since early 2016 as a result of the market decline coupled with rising earnings estimates (Figure 5).

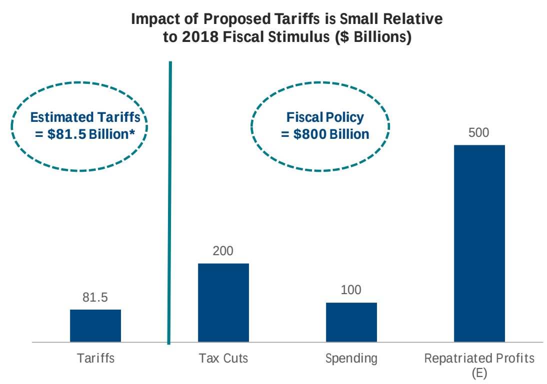
Regional Outlook

United States: Bull Market Still Intact

The fundamental battles persist between the prospects of a better US economy and earnings, and higher interest rates and geopolitical uncertainties. Indeed, US earnings, boosted by lower corporate tax rates, are currently expected to increase 18% in 2018, the strongest since 2010. Moreover, the S&P 500's forward price-to-earnings (P/E) ratio has dropped from 18.5 times in January to 16.0, a valuation level where investors stepped in to support the market around the Brexit shock and again near the US elections in 2016.

That said, an escalation in trade tensions remains a risk. However, so far the potential impact of the proposed tariffs of $81.5 billion appears relatively small compared to an estimated $800 billion of fiscal stimulus in the pipeline for 2018, according to Strategas Research (Figure 6).

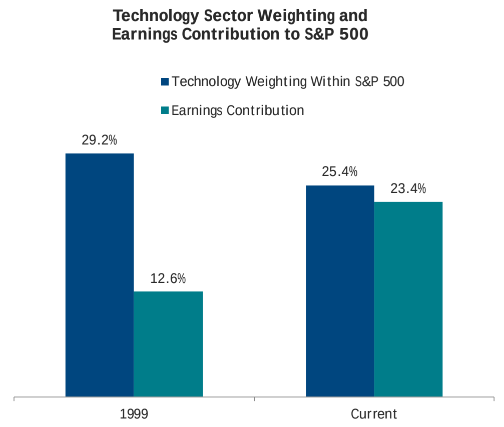
Figure 6: Potential Impact of Tariffs Compared to Fiscal Stimulus



Data Source: Strategas, SunTrust IAG. Calendar Year 2018; (E = Estimated)

From a broader perspective, the first quarter market action in the US has been consistent with what has followed other sharp corrections during this bull market. Specifically, the market undergoes a battle between fear and greed—punctuated by several sharp price moves back and forth—before eventually climbing higher, which we anticipate will endure.

Figure 7: Technology Sector: It's Not 1999



Data Source: FactSet, SunTrust IAG

Another recent worry has been the loss of leadership by the technology sector. Although the technology sector has grown to represent a quarter of the S&P 500's weighting and presents concentration risks, the sector's earnings contribution is also very high, unlike during the technology bubble (Figure 7).

Importantly, the 15 S&P 500 pullbacks of more than 5% since this bull market began in 2009 have been followed by an average 12-month return in excess of 20%. This is not to imply gains will be that strong this time, but does serve as a reminder that rebounds following pullbacks tend to be sharp and difficult to time.

Non-US Developed Markets: Long-Term Upside Remains

While economic growth appears to have moved past peak momentum, underlying trends in non-US developed markets remain solid, and monetary policy is supportive. Moreover, valuations appear relatively attractive: the 10-year annualized return for developed international markets is below 4%, which is near the low end of the historical average.

Within non-US developed markets, we see a relative opportunity in Japan, the world's third largest economy. Japan's economic momentum has been solid yet underappreciated. There have been eight straight quarters of positive growth—the longest streak since 2001. The economy appears to be on a sustained growth path, supported by structural reforms, such as corporate tax cuts, increasing women in the workforce, better corporate governance, and easy monetary policy. Moreover, Japan remains one of the cheapest markets among the developed countries. The main risks to our positive outlook include Prime Minister Abe's falling approval ratings amid a cronyism scandal, a stronger yen, as well as an escalation in global trade tensions.

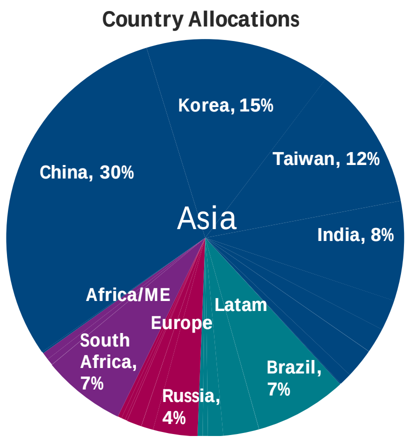
Turning to Europe, valuations remain attractive, but after showing signs of improvement in late 2016/early 2017, earnings and price trends have deteriorated relative to the US. This is partly due to the stronger euro, but also the indecisive Italian election highlights continued populist risks within Europe. That said, financials and industrials play a more dominant role in Europe, which has significantly lowered the technology sector exposure compared to the US and emerging markets. As global sector leadership ebbs and flows, this often drives market returns, which bolsters the case for diversification and maintaining an allocation to the region.

Emerging Markets: Maintain Positive Outlook

We maintain a positive view of emerging markets (EM), though an escalation in trade protection measures have raised market volatility and stirred uncertainties. EM currencies were also especially choppy, which impacted returns during the first quarter, due predominately to the trade tensions. For perspective, however, the proposed US tariffs on $150 billion of Chinese goods represent just over 1% of China's gross domestic product (GDP).

That said, China now accounts for 30% of the country allocation within the EM index, and the technology sector represents 28% of the overall EM sector weighting, up from just 10% in 2008. In our view, active management is becoming increasingly important in managing EM exposure.

Figure 8: EM Country Allocations



Data Source: FactSet, MSCI, SunTrust IAG, data as of March 31, 2018. EM Equity = MSCI EM; ME = Middle East; Latam = Latin America

Additionally, our work suggests an important turn occurred in 2016, when EM economies and earnings troughed. At only two years old, this turn appears relatively early compared to the two prior outperformance cycles, which lasted seven and nine years, respectively. Moreover, the bulk of the contribution to global growth should continue to come from the developing bloc in the coming decade.

During the first quarter, interest rates *stepped up*, and a *bumpier* period in the equity markets created an opportunity for investors to see the benefits of high-quality fixed income. The 10-year Treasury yield, which rose swiftly during the first quarter, likely moves closer to 3%.

Too Much of a Good Thing

Coming into 2018, we expected a *step up* in rates over the course of the year and a firming of inflation from unsustainably low levels. Both, however, shifted very quickly during the first quarter as investors became exuberant.

January was seemingly the month that could do no-wrong for most investors, who pushed equity markets to fresh new highs. The passage of the tax reform package spurred higher earnings and growth expectations, global economic news was positive, oil prices held well above their 2017 lows, and the labor market was strong.

Figure 9: 10-Year US Treasury Yield

Data Source: FactSet

By early February, the bloom was off the rose. Surprisingly strong wage gains within the January jobs report turned out to be a little too strong for investors' comfort, and equity markets sold off as yields climbed. January inflation also surprised to the upside, and investors worried that the Fed would raise rates more aggressively than anticipated. Thus, the 10-year Treasury yield escalated quickly during January, jostled in the aftermath of the January jobs report, and eventually reached a high of 2.94% by late February (Figure 9).

In February, the implied inflation expectations—based on the 10-year Treasury Inflation-Protected security—rose to its highest level since 2014. While we believed inflation would firm this year, we do not view the inflation trend as troublesome. Nonetheless, after two years of declining volatility in the equity markets, it is understandable that some investors became complacent about the need for diversification within portfolios.

However, during the market turmoil, when US stocks pulled back about 10% from the January high, the diversification of high-quality fixed income was welcomed. Alas, with inflation fears and rising rates, most fixed income asset classes had negative returns during that respective time. Still, high-quality taxable bonds were only down 1% during the equity drawdown period (January 27 through February 8), while investment-grade municipal bonds declined 0.7%. Those fixed income asset classes more correlated with equities, such as convertible securities, tended to be down more (Figure 10—next page).

10-Year Treasury Likely Pushes 3%

In the current environment, longer-term yields have drifted lower from the highs earlier in the year. There has been volatility in the equity markets, trade tensions between the US and China as well as some

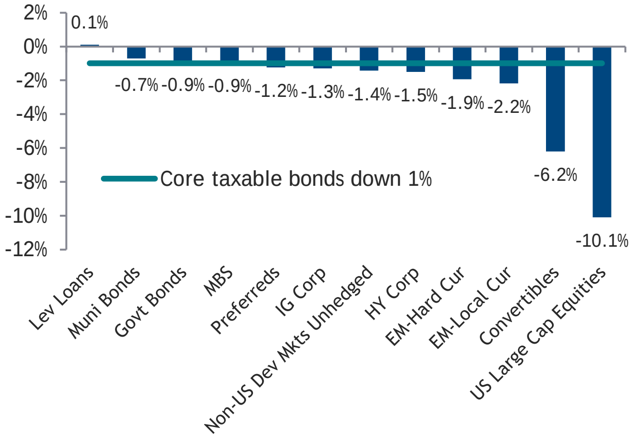
Securities with floating interest rates generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as prevailing interest rates. Unlike fixed-rate securities, floating rate securities generally will not increase in value if interest rates decline. Changes in interest rates also will affect the amount of interest income the Fund earns on its floating rate investments. Floating rate securities involve liquidity risk, which may affect the ability of investors to buy and sell them at the desired time or price.

softer economic data. Furthermore, positioning on the short side in bonds has gotten to fairly extreme levels. All of these elements could suppress yields over the short term.

However, we expect to see the benefits of the tax reform and the recently approved federal budget eventually boost US growth and create some upside pressure on bond yields. Also, we believe year-over-year inflation will firm into the summer since oil prices are well above the June 2017 lows.

Furthermore, monetary policy will gradually tighten, balance sheet reduction will likely ramp up towards the end of the year, and we expect two more Fed rate hikes. These factors could push the 10-year Treasury yield closer to 3% with the strong possibility for an overshoot, and we believe the yield curve flattens a bit more by year's end.

Figure 10: Performance from Market Peak through Low January 27-February 8



Data Source: FactSet; Please see disclosure page for index definitions. An investment cannot be directly made into an index.

Accordingly, we recommend bond allocations remain at the lower end of policy ranges with a focus on high quality. Within fixed income portfolios, we maintain a slightly shorter duration stance and favor a modest position in floating-rate bank loans to help provide a source of diversification and higher yield.

Mature Credit Environment

Within the high-quality space, investment-grade corporate bonds underperformed government bonds and mortgage-backed securities given the higher rate environment and volatility in the equity markets. While the yield advantage of corporate bonds to Treasury bonds moved modestly higher from the lows in January, valuations are still somewhat rich. The story is similar for high-yield corporate bonds—spreads widened since January; however, they outperformed their investment-grade counterparts due to their shorter duration. While gross issuance is down from this time last year for both investment-grade and high-yield debt, there have been headwinds in terms of outflows from both.

In contrast to investment-grade and high-yield corporate bonds, floating-rate bank loans have seen positive inflows this year, and we continue to favor a modest position in this asset class—to provide a hedge against rates rising faster than expected and as a source of yield. As one of the few fixed income asset classes with a positive return this year, this position is meeting our expectations—providing a valuable source of diversification within fixed income and outperforming high-yield corporate bonds as well as longer duration, investment-grade corporates. Also, since bank loans are higher up in the capital structure than high-yield corporate bonds, they tend to hold up better on the downside, an important consideration given our theme of higher volatility.

Stable Outlook for Municipal Bonds

For the quarter, investment-grade municipal bonds outperformed core taxable bonds, supported by lower supply and increased demand. Municipal bond supply has been lighter this year since many advance refunding issues were pulled into late 2017 ahead of the tax reform bill. Furthermore, the limitation of the state and local tax deduction within the tax reform bill led to higher demand for municipal bonds.

Our intermediate-term outlook for municipal bonds is stable. With strong employment trends and an expected increase in business investment, the economic backdrop is healthy, and many states could see a noticeable increase in revenue growth relative to the last few years. Current valuations are generally fair although shorter maturities are richer than the longer term.

We continue to prefer a *step up* in quality, focusing on higher-rated credits in municipals and recommend dedicated revenue streams such as hub airports, toll roads and water and sewer credits over local general obligation (GO) debt. State and local GO bonds will face pressures as federal support is constrained and pension and employee benefit obligations rise.

Cautious on International Bonds

We do not favor the international developed bond space due to much lower yields in most countries, longer duration and currency risk. While these bonds have done well thus far in 2018, it has been primarily driven by stronger currencies against the dollar such as the yen, pound and euro. The longer duration combined with the currency component add up to a higher level of volatility. With the European Central Bank set to become slightly less accommodative over the next year, we expect interest rates to move higher, which could impact performance since Eurozone bonds comprise 40% of the asset class. Due to the longer duration, even a small rise in rates would completely offset the return from income.

We are also cautious on hard and local currency emerging markets (EM) bonds at this time. These bonds have higher risk characteristics given their inherent political and currency exposures, along with higher correlations with equities. Furthermore, valuations are not attractive. As an example of the higher risk, Russian bonds, which have an 8% weight in the local currency EM bond benchmark, were down nearly 5% in one day in early April on news of US sanctions on Russia. At this time, we prefer for our fixed income allocation to be mainly a lower risk, higher quality bond diversifier for portfolios.

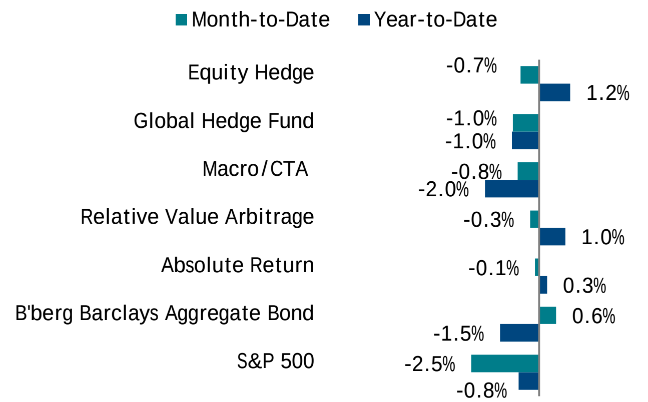
Given our outlook for a positive but *bumpier* path for stocks and headwinds for bonds, non-traditional strategies take on, arguably, heightened importance. Additionally, the hedge fund industry continues to mature and gather more assets.

We see value in having exposure to less-correlated assets, especially with the stock market in a volatile bottoming process and bond yields moving into a higher range (Figure 11). We favor an anchor in diversified strategies, which invest in opportunities across the hedge fund spectrum.

While we believe the pullback in stocks this quarter helps to reset an overheated market, the heightened, expected volatility this year demonstrates the importance of basic diversification and creates opportunities for certain non-traditional strategies within a balanced portfolio. At a more granular level, hedged equity strategies should benefit from more of a two-way market in 2018. With risk assets decoupling, equity valuations should be more reflective of underlying fundamentals. Volatility in the market, moreover, leaves room for managers to take advantage of more dispersion, or the difference in returns across various market segments.

Managed futures strategies have faced challenges given the lack of sustained trends in some markets, such as fixed income and energy, along with increased volatility in systematic trading strategies. These strategies, nonetheless, have the potential to generate returns in up or down markets, and are unique in that they tend to be less correlated with other non-traditional strategies. Likewise, relative value strategies should be able to take advantage of greater differentiation within and across markets.

Figure 11: Comparative HFRX Hedge Fund Returns



Data Source: FactSet; Data as of March 30, 2018. Please see disclosure page for index definitions. An investment cannot be directly made into an index.

On the event-driven side, we remain constructive on merger arbitrage strategies as a reasonably consistent return source. A lighter regulatory touch from Washington should encourage deal activity as companies seek to obtain top-line growth through mergers or acquisitions, which would be further enhanced with corporate tax reform.

Consistent with our fixed income theme to *step up* quality, we are less constructive on credit strategies. Despite a favorable economic growth backdrop, which is generally good for credit, richer valuations and modest yields elevate the risk profile of these strategies.

Additionally, the sustained period of low default rates has resulted in reduced opportunities for distressed credit managers.

Lastly, there have been renewed signs of health in recent quarters within the hedge fund industry, which has grown to $3.2 trillion according to Hedge Fund Research, Inc. (HFR). More specifically, new fund launches have exceeded closures for two consecutive quarters. This appears to be partly a renewed attention to the utility of hedge funds as an asset allocation tool in the current environment, along with the hedge fund industry's pragmatism about fees and fee structures—although newer funds have traditionally offered fee reductions for early investment and for longer capital commitments. Also, both supply and demand factors seem to be helping support renewed institutional interest in the investment class.

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Fixed Income Securities are subject to interest rate risk, credit risk, prepayment risk, market risk, and reinvestment risk. Fixed Income Securities, if held to maturity, may provide a fixed rate of return and a fixed principal value. Fixed Income Securities prices fluctuate and when redeemed, may be worth more or less than their original cost.

High-yield Fixed Income Investments, also known as junk bonds, are considered speculative, involve greater risk of default and tend to be more volatile than investment-grade fixed income securities.

International investing entails greater risk, as well as greater potential rewards compared to US investing. These risks include potential economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in emerging market countries, since these countries may have relatively unstable governments and less established markets and economies.

Investing in smaller companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations, and illiquidity.

Emerging Markets: Investing in the securities of such companies and countries involves certain considerations not usually associated with investing in developed countries, including unstable political and economic conditions, adverse geopolitical developments, price volatility, lack of liquidity, and fluctuations in currency exchange rates.

Leveraged loans bear more risk that traditional investment grade loans because they are issues by below investment grade companies.

Asset classes are represented by the following indexes:

Global stocks are represented by MSCI ACWI index (Morgan Stanley Capital International All Country World) 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 consists of 45 country indices comprising 24 developed and 21 emerging market country indices.

MSCI World captures large and mid-cap representation across 23 Developed Markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Emerging Markets is represented by MSCI EM index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Non-US Developed is represented by MSCI EAFE index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

MSCI USA Index is designed to measure the performance of the large and mid-cap segments of the US market. With 640 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

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

NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based Index.

Leveraged Loans are represented by the S&P/LSTA (Loan Syndications and Trading Association) U.S. Leveraged Loan 100 Index measures the performance of 100 large loan facilities meeting specific inclusion criteria. The index is modified market value-weighted and is fully rebalanced semi-annually.

Russell Mid Cap index is a measure of the performance of the mid-cap segment of the US equity universe. The Russell Midcap is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

Russell 2000 Index is comprised of 2000 smaller company stocks and is generally used as a measure of small-cap stock performance.

FTSE NAREIT US Real Estate Index Series is designed to present investors with a comprehensive family of REIT performance indexes that span the commercial real estate space across the US economy, offering exposure to all investment and property sectors.

Commodities are represented by Bloomberg Commodity Index is composed of futures contracts on physical commodities. It currently includes 22 commodity futures in six sectors. The weightings of the commodities are calculated in accordance with rules that ensure that the relative proportion of each of the underlying individual commodities reflects its global economic significance and market liquidity.

US Core Bonds is represented by Bloomberg Barclays Aggregate Bond Index is the broadest measure of the taxable U.S. bond market, including most Treasury, agency, corporate, mortgage-backed, asset-backed, and international dollar-denominated issues, all with investment-grade ratings (rated Baa3 or above by Moody's) and maturities of one year or more.

Bloomberg Barclays Intermediate Government/Credit index represents securities that are SEC-registered, taxable, and dollar denominated. The index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment-grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

Bloomberg Barclays US MBS Fixed Rate Index covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). Pool aggregates must have at least USA 250mn current outstanding, fixed-rate pool aggregates comprise individual TBA deliverable MBS pools mapped on the basis of agency, program, coupon, and origination year of the pool. Rated investment-grade (Baa3/BBB-/BBB-) or higher using the middle rating of Moody's, S&P, and Fitch after dropping the highest and lowest available ratings. When a rating from only two agencies is available, the lower ("more conservative") is used. When a rating from only one agency is available, that is used to determine index eligibility. Pool aggregates must have a weighted average maturity of at least 1 year.

Preferreds are represented by the ICE BofAML Fixed Rate Preferred Securities Index tracks the performance of fixed rate US dollar denominated preferred securities issued in the US domestic market.

ICE BofA Merrill Lynch Treasury Master is an unmanaged index tracking government securities.

ICE BofA Merrill Lynch U.S. Inflation-Linked Treasury Index: Tracks the performance of US dollar denominated inflation linked sovereign debt publicly issued by the US government in its domestic market. Qualifying securities must have at least one year remaining term to final maturity, interest and principal payments tied to inflation and a minimum amount outstanding of $1 billion. Strips are excluded from the Index; however, original issue zero coupon bonds are included in the Index and the amounts outstanding of qualifying coupon securities are not reduced by any portions that have been stripped.

Municipal Bonds is represented by Bloomberg Barclays Municipal Bond Blend 1-15 Year (1-17 Y) is an unmanaged index of municipal bonds with a minimum credit rating of at least Baa, issued as part of a deal of at least $50 million, that have a maturity value of at least $5 million and a maturity range of 12 to 17 years.

High Yield is represented by ICE BofAML US HY Master index is an index that tracks US dollar denominated below investment-grade corporate debt publicly issued in the US domestic market.

ICE BofAML Global Government Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency. In order to qualify for inclusion in the Index, a country (i) must be a member of the FX-G10 or Western Europe; (ii) must have an investment grade foreign currency long-term sovereign debt rating (based on an average of Moody's, S&P and Fitch); (iii) must have at least $50 billion (USD equivalent) outstanding face value of Index qualifying debt (i.e., after imposing constituent level filters on amount outstanding, remaining term to maturity, etc.) to enter the Index; (iv) must have at least $25 billion (USD equivalent) in outstanding face value of Index qualifying debt in order to remain in the Index; (v) must be available to foreign investors; and (vi) must have at least one readily available, transparent price source for its securities. The FX-G10 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden.

Non-US Bonds is represented by ICE BofAML Global Government ex US Index is a subset of ICE BofAML Global Government Index excluding all securities denominated in US dollars.

ICE BofAML Global Government ex US Index Hedged is a subset of ICE BofAML Global Government Index excluding all securities denominated in US dollars and where the currency exposure is hedged.

EM Local-Cur is represented by JP Morgan GBI-EM Global Diversified Composite is a comprehensive emerging market debt index that tracks local currency bonds issued by Emerging Market governments. It includes only those countries that are directly accessible by most of the international investor base and excludes countries with explicit capital controls, but does not factor in regulatory/tax hurdles in assessing eligibility. The maximum weight to any country in the index is capped at 10%.

EM Hard-Cur is represented by JP Morgan EMBI Global Diversified limits the weights of those index countries with larger debt stocks by only including a specified portion of these countries eligible current face amounts of debt outstanding

HFRX Indices (HFRX) are a series of benchmarks of hedge fund industry performance which are engineered to achieve representative performance of a larger universe of hedge fund strategies. Hedge Fund Research, Inc. ("HFR, Inc.") employs the HFRX Methodology, a proprietary and highly quantitative process by which hedge funds are selected as constituents for the HFRX Indices. This methodology includes robust classification, cluster analysis, correlation analysis, advanced optimization and Monte Carlo simulations. More specifically, the HFRX Methodology defines certain qualitative characteristics, such as: whether the fund is open to transparent fund investment and the satisfaction of the index manager's due diligence requirements. Production of the HFRX Methodology results in a model output which selects funds that, when aggregated and weighted, have the highest statistical likelihood of producing a return series that is most representative of the reference universe of strategies.

The CBOE Volatility Index® is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. Since its introduction in 1993, VIX has been considered by many to be the world's premier barometer of investor sentiment and market volatility. VIX is often referred to as the "investor fear gauge".

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The Alerian MLP Index is the leading gauge of large- and mid-cap energy Master Limited Partnerships (MLPs). The float-adjusted, capitalization-weighted index, which includes 50 prominent companies and captures approximately 75% of available market capitalization.

It is not possible to invest directly in an index.

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