Regions Asset Management

Capital Market Expectations

2021

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2021 Capital Market Expectations Summary

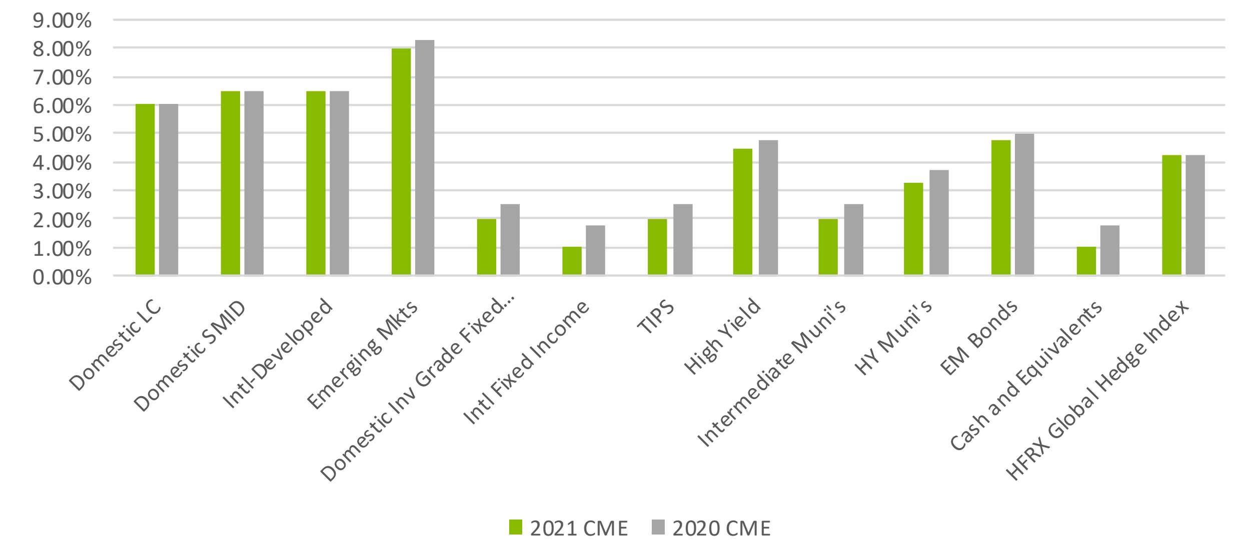
Asset prices were resilient in 2020, and in many cases far exceeded our annualized return expectations over the next 7-10 years published at the end of 2019. Alongside ultra-easy monetary policy, central banks and governments around the globe stepped up fiscal support to ensure that markets functioned normally amid the onset of the COVID-19 pandemic. Persistent low interest rates, central bank asset purchases, and a hand off from accommodative monetary policy to fiscal policy over the coming year(s) is likely to support prices of stocks and corporate bonds.

Our 7 to 10-year return and volatility assumptions across equity sub-asset classes are mostly unchanged. Emerging market equities carry the highest expected annualized return of the four equity sub-asset classes we track, but for the second year in a row the expected return out of developing market equities was ratcheted lower. It's notable that expected volatility for emerging markets has also trended down over recent years, leading to a better volatility, or risk-adjusted return profile. Return and volatility expectations for domestic large-caps, domestic small and mid-caps (SMid), and international-developed markets are unchanged year over year.

Conversely, expected returns across fixed income sub-asset classes experienced downward revisions as Treasuries, investment-grade and high yield corporate bonds, and tax-exempt municipal bonds rallied, leading to lower expected forward returns. While yields are lower, duration, or interest rate sensitivity, has moved in the opposite direction, leading to higher expected volatility over the coming years for core-investment grade bonds in the U.S. as well as sovereign bonds issued in developed markets abroad, leading to a less appealing volatility-adjusted return profile.

Our forward expectations surrounding alternative investments, specifically hedge funds, remain static year over year. We continue to expect broad exposure to hedge funds or liquid alternatives to post an annualized return between that of stocks and bonds over the next decade, with a better volatility-adjusted profile when compared to core fixed income exposure.

Regions Asset Management ten-year asset class return expectations, December 2020



Regions Asset Management ten-year asset class return and volatility expectations, December 2020

Asset Class	Asset Class Sub-Type	Ten-year expected return	Ten-year expected standard deviation
Equity	Domestic Large Cap	6.00%	15.00%
Equity	Domestic SMID	6.50%	19.00%
Equity	International Developed	6.50%	17.00%
Equity	Emerging Markets	8.00%	21.00%
Fixed Income	Domestic Investment Grade	2.00%	4.25%
Fixed Income	International Fixed Income	1.00%	7.50%
Fixed Income	TIPS	2.00%	5.50%
Fixed Income	High Yield	4.50%	9.00%
Fixed Income	Intermediate Municipals	2.00%	4.00%
Fixed Income	High Yield Municipals	3.25%	7.50%
Fixed Income	Emerging Market Bonds	4.75%	10.00%
Alternatives	HFRX Global Hedge Index	4.25%	6.00%
Cash and Equivalents	Cash and Equivalents	1.00%	0.75%

Source: Regions Asset Management

Revisiting Last Year's Themes

1. Global central banks appear poised to remain accommodative for some time to come, which will bolster liquidity, while dampening volatility and boosting prices across asset classes. Couple this liquidity with the potential for fiscal stimulus in Europe, Japan, and possibly even the United States, and the global monetary base may have further to expand, which will be a boon for prices of riskier assets, particularly stocks.

Theme Reaffirmed: Central bank balance sheets expanded further in 2020 as the COVID-19 pandemic forced economic shutdowns, providing cover for monetary authorities to step in as a backstop for markets. The Federal Reserve's balance sheet expanded to over $7T in 2020 from $4T at the start of the year, while the Eurozone ditched decades of fiscal austerity in favor of stimulus/relief. Accommodative monetary policy and unprecedented fiscal relief/stimulus globally is likely to remain in place throughout 2021, propping up prices of stocks and corporate bonds.

2. Trade-related uncertainty and the rise of populist or nationalistic agendas are likely to weigh on growth in emerging markets. The potential for de-globalization and more isolationist policies to take hold on the heels of the U.S./China trade spat could pull emerging market growth ever closer to that of foreign developed markets. This development would justify a lower earnings multiple for emerging market stocks, as relative earnings growth becomes less attractive.

No Longer A Theme: Nationalistic trade rhetoric is likely to subside somewhat under the Biden administration. Tariffs implemented on goods imported from China and Europe under the Trump administration are likely to be reduced or removed entirely, boosting global trade and prospects for emerging economies, broadly speaking. A weaker U.S. dollar, COVID-19 vaccine in early 2021, and a lack of near-term inflationary pressures could allow emerging market central banks to keep interest rates low for far longer, leading to a faster and more robust recovery in the emerging world.

3. Amid low yields leads, investors find themselves in a fixed income conundrum, which will require a reevaluation of return expectations and allocations within the asset class. The potential exists for allocators to increase exposure to 'non-core' bonds and/or 'stocks that look like bonds' to increase yield and return and meet spending or hurdle rates. Either path brings potential peril and undesirable consequences/risks from rising interest rates and defaults.

Theme Reaffirmed: Interest rates across the U.S. Treasury yield curve are sharply lower year over year, and backstops provided by the Federal Reserve and Treasury amid the COVD-19 outbreak have pulled yields on investment-grade and high corporate bonds to all-time lows. Investors attempting to meet a hurdle rate or preserve purchasing power are increasingly being forced to take on credit and/or interest rate risk and volatility to do so.

New Themes To Monitor In 2021

1. **Growth Tailwinds Shifting In Value's Favor.** The past decade has been the best of times for investors in growth stocks since the late 1990's, as the Russell 1000 Growth index is up 480% over that time frame, blowing the Russell 1000 Value index's 275% return out of the water in the process. It doesn't have to be an either/or scenario for investors when it comes to growth vs. value as a U.S./global economic recovery would boost cyclical value sectors such as industrials, materials, and financial services, while secular growth sectors such as information technology, communication services and consumer discretionary flourish by facilitating consumption and allowing companies to operate more efficiently and profitably. Growth may continue to work, but value could catch up.

2. **David Set To Topple Goliath, Again: Small/Mid To Outpace Large With 'Real' Yields, Credit Supportive.** Historically, domestic small-cap stocks have outperformed large-caps on a relative basis coming out of economic downturns and recessions, and we expect that to be the case in 2021 as a global economic expansion gets underway and 'real' yields rise as a COVID-19 vaccine and/or therapeutics come to market. Smaller capitalization stocks should remain supported by continued accommodative monetary policy and reinstated backstops provided by the Fed and Treasury affording companies the opportunity to issue debt at a lower cost than would otherwise be possible.

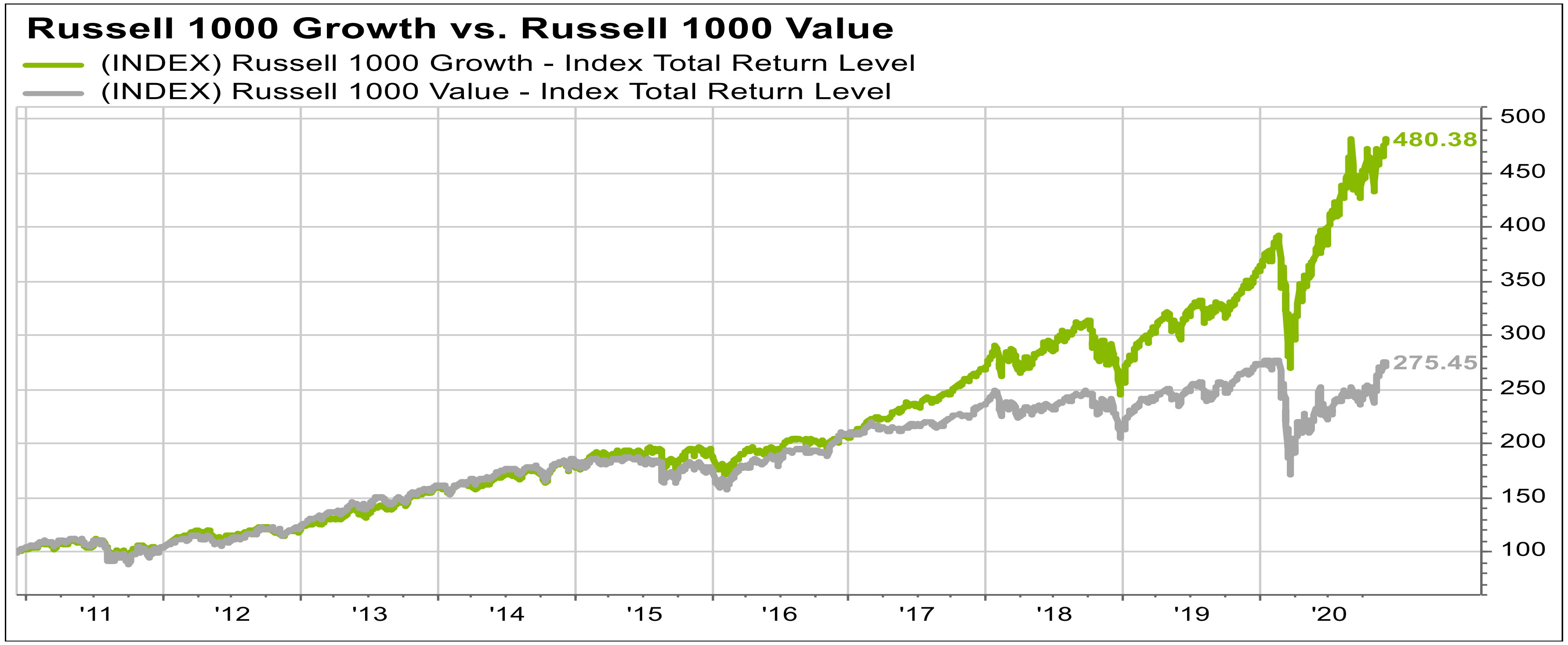
3. **Time For Stocks To Earn Their Way To New Highs With Multiple Expansion Likely In The Rearview.** Equity valuations are stretched, historically speaking, with the S&P 500 trading at a FY1, or next fiscal year, price-to-earnings (P/E) multiple of 22 times, versus a historical average FY1 P/E of 16.6 since 1990. Higher valuations have been supported by low interest rates, but with interest rates on the long end of the yield curve likely to experience upward pressure in 2021, stock valuations will likely compress in the coming year, but to what degree depends upon the pace of earnings growth.

4. **Government Programs To Limit Drawdowns, Price Discovery Across Corporate Credit.** Facilities put in place by the Fed and Treasury to provide liquidity to corporations in the early innings of the COVID-19 outbreak in March have provided a backstop to corporate issuers. The Federal Reserve buying investment-grade corporate bonds and high yield ETFs has spurred a reach for yield, with market participants buying high (yield) with the knowledge that they can sell low (yield) back to the Fed/Treasury if necessary. True price discovery across the corporate credit spectrum isn't likely to occur, nor is the risk of default likely to factor into investor calculus so long as government backstops remain in place.

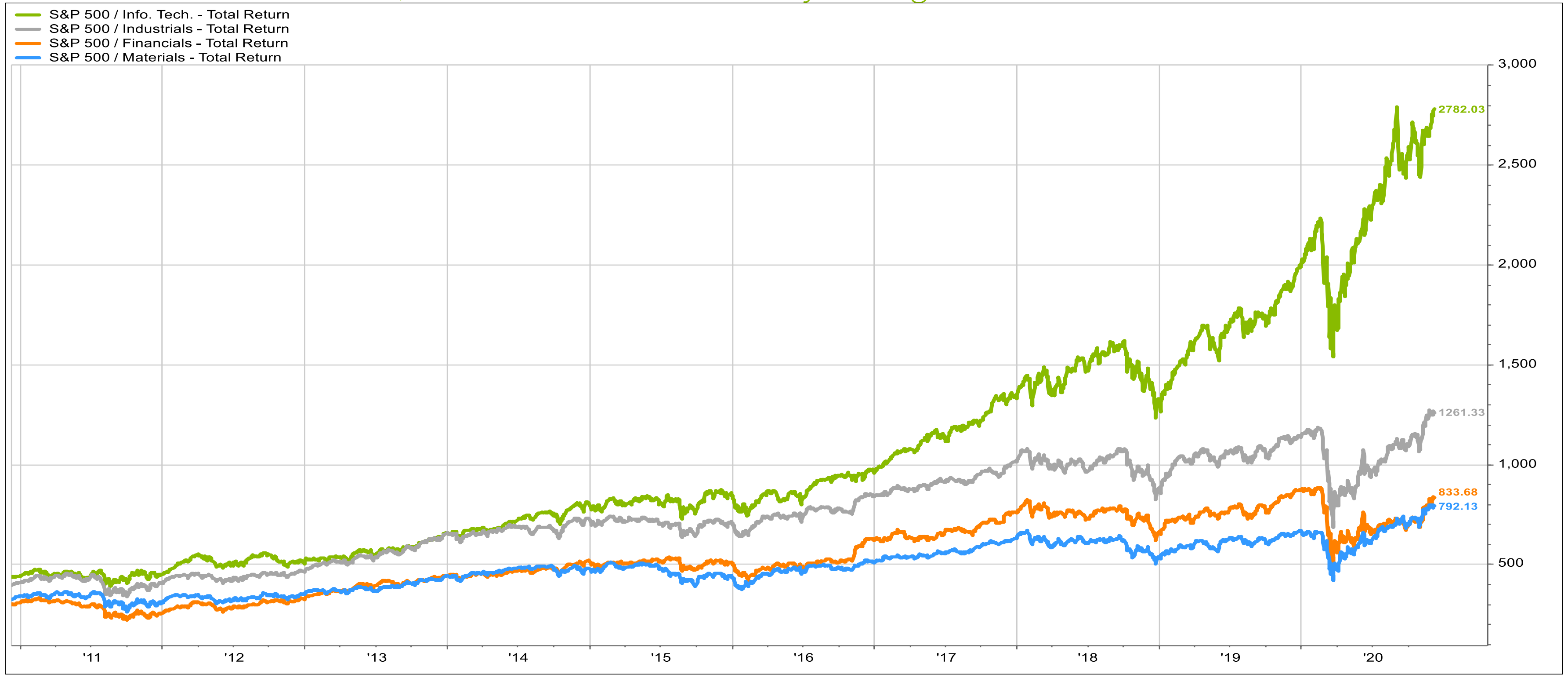
Theme 1: Growth Tailwinds Shifting In Value’s Favor

The Russell 1000 Growth index has now outperformed the Russell 1000 Value index in eight calendar years out of the past decade. A combination of ultra-low interest rates, slow economic growth in the U.S., and a pull forward of demand for technology and innovative products/services allowing us to work from and stay at home amid the COVID-19 pandemic have been to the benefit of growth-oriented sectors such as information technology, communication services, and consumer discretionary, among others. **While powerful tailwinds for growth look to become more mixed over the coming year, shifting in value’s favor, many strong secular growth trends remain entrenched, so we expect improved relative performance out of value as opposed to a wholesale rotation out of growth and into value, an important distinction.**

Rough 10-Year Stretch Vs. Growth, But Tailwinds Shifting In Value’s Favor



Scarce/Slow Growth Economic Backdrop Benefited Technology, Growth Over Prior Decade; Global Economic Recovery Taking Root In ’21 Favors ‘Value’



Source: FactSet

Theme 2: Small/Mid To Outpace Large With 'Real' Yields, Credit Supportive

Historically, smaller capitalization stocks (Russell 2000) have outperformed large-caps (S&P 500) coming out of economic downturns/recessions, and we expect that to be the case in the coming year(s) as well. Relative to the S&P 500, the Russell 2000 has larger allocations to sectors such as financial services, industrials, and materials associated more with cyclical value, while being less exposed to secular growth sectors such as information technology and communication services. **Small and mid-cap stocks would be beneficiaries of a U.S. economic recovery due to significant exposure to economically sensitive sectors, but the recovery is likely to experience fits and starts, and right-sizing exposure to these areas is crucial.**

Smaller cap stocks appear to have the wind at their sails as the U.S. economy recovers and 'real' yields climb, a condition that has historically been positive for small-cap outperformance relative to large-caps. The performance of the Russell 2000 has also historically been highly correlated with the Bloomberg Barclays High Yield index, with a rolling 1-year correlation of 0.87 since 1990, so, as credit goes, so goes small-caps. Credit and lending facilities provided by the Fed/Treasury being reinstated in early 2021 would likely lead to a sustained bid for credit, while also boosting smaller capitalization stocks.

Perfect Storm, In A Good Way: Russell 2000/S&P Mid Cap 400 Both Skew Toward Cyclical, Value Sectors

	Russell 2000 Weight	S&P Mid Cap 400 Weight	S&P 500 Weight
Communication Services	2.38	1.77	10.95
Consumer Discretionary	13.67	15.11	11.3
Consumer Staples	3.3	3.54	6.82
Energy	2.14	1.35	2.43
Financials	15.75	14.82	10.46
Health Care	19.97	10.62	13.69
Industrials	15.55	17.48	8.86
Information Technology	13.46	16.54	27.12
Materials	4.18	6.03	2.71
Real Estate	6.42	9.19	2.57
Utilities	3.15	3.54	2.96
Skews Secular Growth	15.84	18.31	38.07
Skews Cyclical Value	37.62	39.68	24.46

Higher 'Real' Yields Should Benefit Small-Caps Relative to Large-Caps

Source: Bloomberg

Theme 3: Hand-Off From Earnings Multiple Expansion To Earnings Growth Necessary

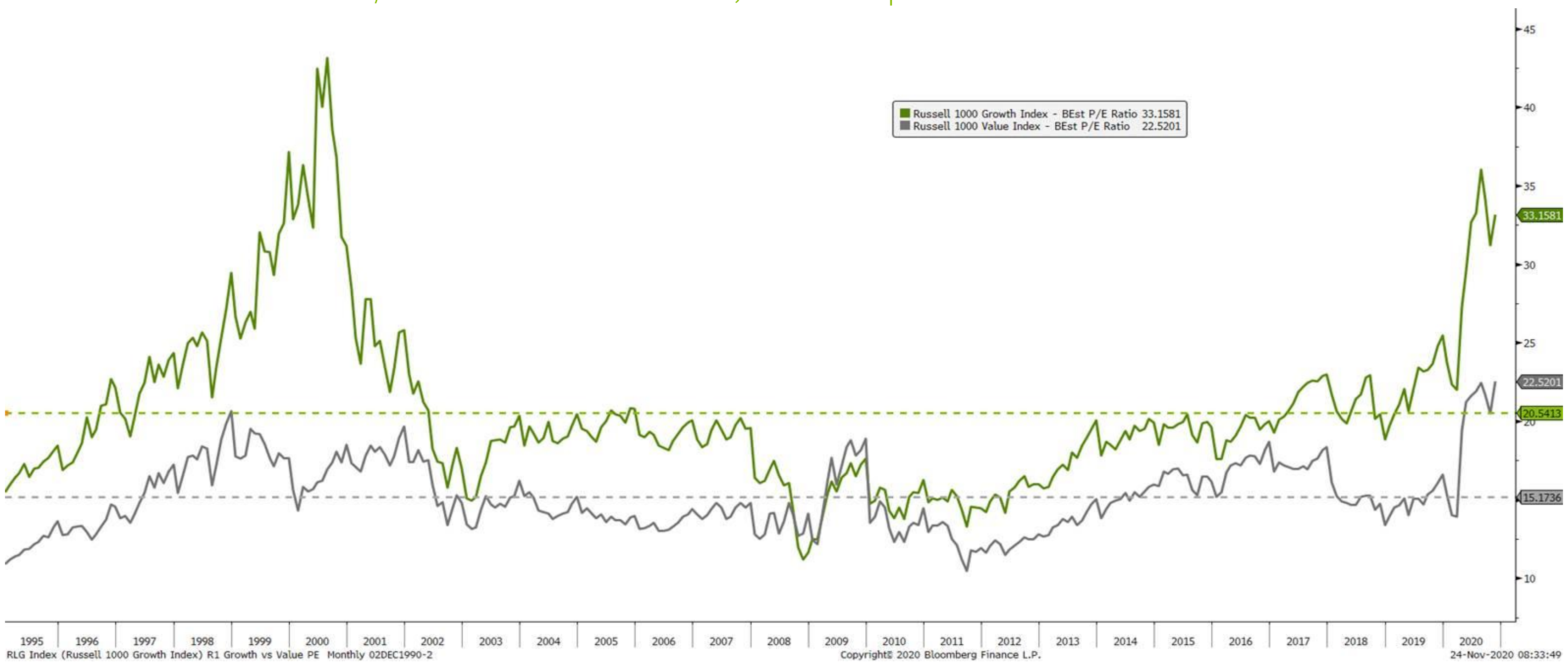
2020 was a year characterized by earnings multiple expansion for stocks as the S&P 500 and Russell 2000 hit all-time highs, despite earnings falling year over year. For the S&P 500, specifically, earnings per share for the full year 2020 are estimated to come in at $135.53 down from $160.47 in 2019. As of December 31, 2019, the S&P 500 traded at 18.3 times full year earnings, but as of December 31, 2020, the S&P 500 earnings multiple had expanded to 27.7 times estimated 2020 earnings. Optimism surrounding future economic growth expectations and expected persistently ultra-low interest rates are the culprits behind the "why" as one might expect a global pandemic leading to quarantines, layoffs, and wide-scale economic shutdowns to weigh on sentiment and risk appetite, leading to lower, not higher, forward P/E multiples.

The current consensus estimate calls for the S&P 500 to generate earnings per share of $165.47 in 2021 and $193.37 in 2022. These numbers leave the S&P 500 trading at 22 times projected 2021 (FY1) EPS and 19.4 times projected 2022 (FY2) EPS. To put these numbers in proper context, since 1990, the S&P 500 has traded at an average FY1 price-to-earnings (P/E) ratio of 16.6, and an average FY2 P/E of 15.1.

With ultra-easy monetary policies and fiscal support likely to remain in place over the coming year, we expect valuations to remain elevated relative to historical norms, but as the global economy heals and corporate confidence recovers, valuation multiples should gradually contract as earnings growth takes over.

S&P 500 Forward P/E Multiple (Green Line) Elevated, As Usual, Post-Recession; Areas Highlighted In Red Indicate Recessionary Periods

Value P/E To Plummet As Global Economy Heals, Earnings Recover; Growth P/E To Remain Elevated, But Compress As Interest Rates Rise



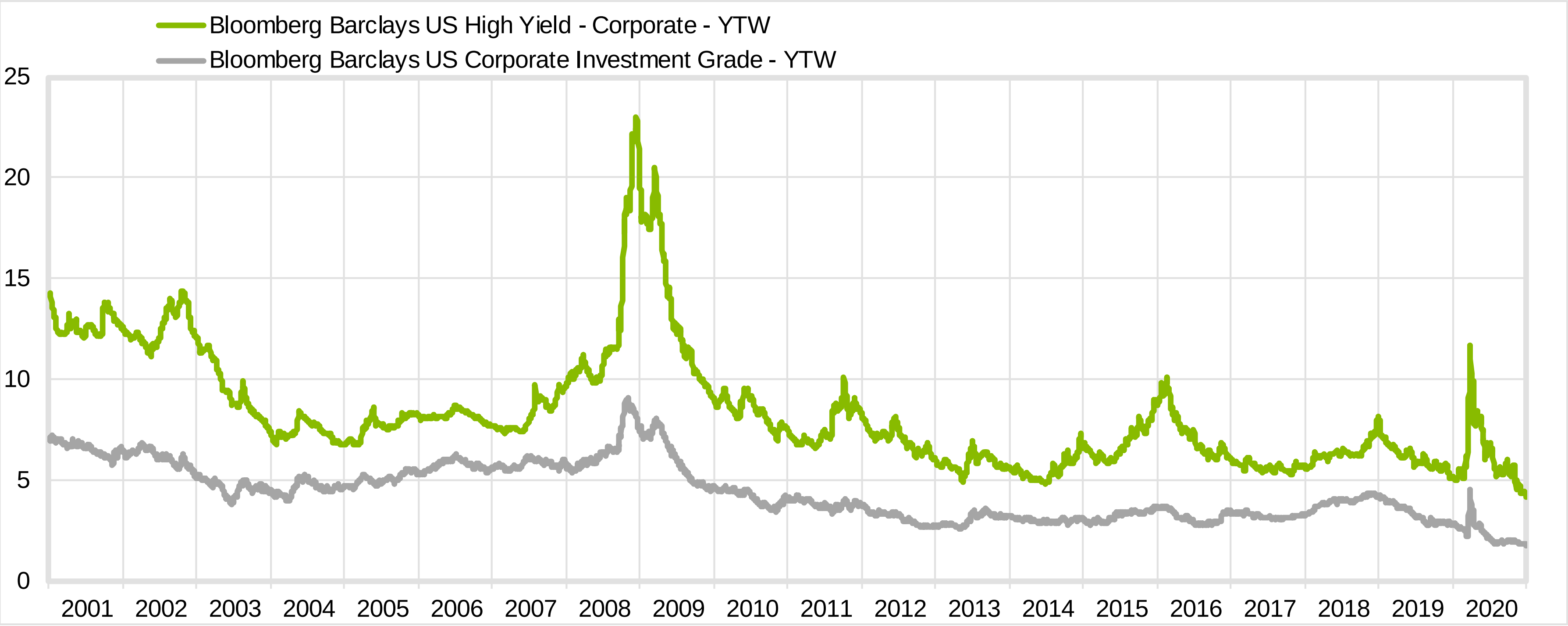
Source: Bloomberg, FactSet

Theme 4: Drawdowns And Price Discovery To Remain Muted Across Corporate Credit

Treasury Secretary Steven Mnuchin threw credit markets a curveball in mid November when he announced the U.S. Treasury would not extend emergency lending and credit facilities put in place last March to provide a backstop to corporations and municipal issuers, instead recommending that $450B+ in unused proceeds earmarked for these programs be returned to Congress for repurposing. Credit markets barely blinked at the announcement as investors quickly fixed their gaze on the incoming Biden administration and who could take the reigns as Treasury Secretary, gauging the likelihood of these programs potentially being reinstated in relatively short order. Credit markets cheered the pre-Thanksgiving announcement that former FOMC Chair Janet Yellen would be nominated by President-elect Biden as Treasury Secretary, viewing a reinstatement of emergency lending and credit facilities in early 2021 as close to a slam dunk.

True price discovery across the credit spectrum has been lacking for much of 2020 as the backstop provided by Treasury purchases of investment-grade (IG) and 'fallen angel' corporate bonds allowed issuers to float record amounts of debt at ever-lower rates and market participants with the cover to 'buy high' with the expectation that they could 'sell higher.' This 'status quo' should remain in place through year-end 2021.

Historically Low Yields For Investment Grade and High Yield Corporates



Volatility/Drawdowns Muted Once Credit/Lending Facilities Instituted In March

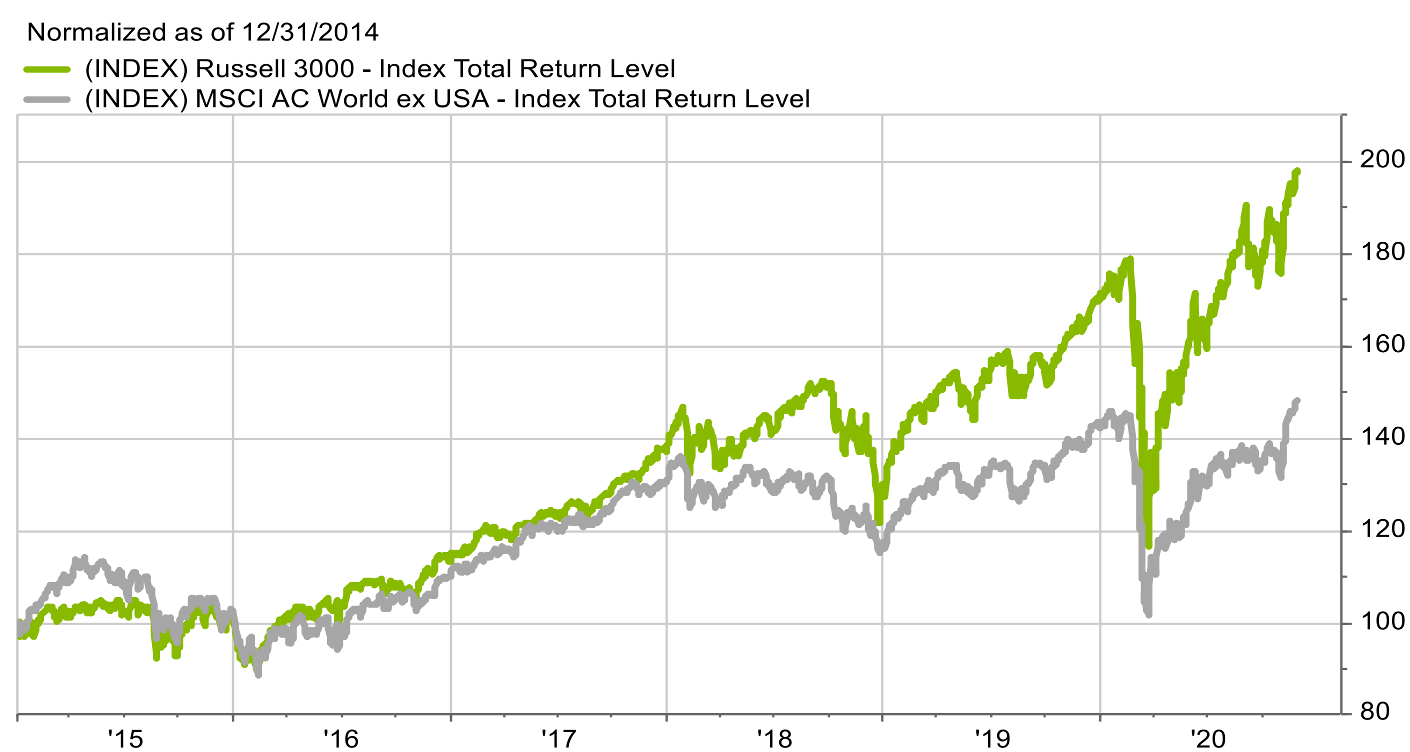
Source: FactSet

How The 'Consensus' Fared In 2020

Last year we highlighted two 'consensus calls' we identified leading up to the start of 2020. The consensus batted .500 on last years' calls.

- In the Barron's 2020 Outlook released mid-December 2019, 10 Wall Street strategists were interviewed. Just 3 of the 10 expected the 10-year yield to close out 2020 above 2%, with the highest estimate being 2.20%. The non-consensus call: 10-year U.S. Treasury yield will close out 2020 above 2.25%.
  - The consensus nailed this call, although likely not for the reasons expected - sometimes it's indeed better to be 'lucky' than 'good.' The 10-year U.S. Treasury yield trended back toward the 2% level as 2020 began, appearing poised to break higher as expectations surrounding economic growth and inflation were gradually ratcheted higher. But as COVID-19 began to spread across Asia and Europe in February, a flight to safety took hold, pushing long-term Treasury yields sharply lower. The 10-year yield again broke below 1% in early March and remained below that level throughout the balance of 2020 as the Fed funds rate was slashed to zero with the Federal Open Market Committee (FOMC) stating its intent to leave it there for years to come.

- In 2019, for the 2nd consecutive year, performance of domestic stocks outpaced that of foreign-developed and emerging market stocks. The Russell 3000 Index, which runs the gamut from small-caps to mega-caps, jumped 31% on a total return basis last year, while the MSCI World ex U.S. Index rose a still respectable 23.1%. We've witnessed a number of calls for international stocks, particularly those in emerging markets, to generate a return exceeding that of domestic indices in 2020. The non-consensus call: the Russell 3000 return will outpace that of the MSCI World ex U.S. index in 2020.
  - The consensus got this one wrong as the Russell 3000 outperformed the MSCI World ex U.S. for the 3rd year in a row. The consensus again appears to be all-in on the Rest of World (RoW) trade as 2021 begins, with a preference for exposure to Europe and emerging market stocks amid expectations of a coordinated global economic recovery and further depreciation of the U.S. dollar over the coming year(s).



Source: FactSet

Revisiting Prior Assumptions: 5-Year Lookback

Accountability and learning from one's mistakes, no matter how humbling or painful, is crucial in investing. As such, we put our capital market expectations published at the end of 2015 under the microscope to see how our assumptions have fared half-way into our 10-year outlook window. Understanding where we've been 'right,' where we've been 'wrong,' and most importantly, why, is valuable as we move forward.

With the benefit of hindsight, the primary driver of better than expected returns out of stocks and bonds, as well as lower than anticipated volatility across sub-asset classes is one in the same – the path/level of interest rates. The FOMC increased the Fed funds rate nine times between December of 2015 and December of 2018, taking the target from 0.13% to a range of 2.25% to 2.50%, a target that remained in place into July of 2019 when the FOMC, amid waning inflationary pressures and paltry economic growth, cut the Fed funds rate three times to a range of 1.50 to 1.75%. Ultimately, the FOMC cut the Fed funds target range back to 0% to 0.25% in March of 2020 amid the COVID-19 outbreak.

While short-term interest rates have ebbed and flowed alongside the Fed funds rate over the past five years, a backdrop of slow U.S. and global economic growth and insatiable demand for Treasuries from abroad amid low sovereign bond yields in the Eurozone and Japan have kept long-term Treasury yields in check, leading to a persistent flattening of the yield curve and strong 'risk free' returns for investors. The 10-year and 30-year U.S. Treasury yields peaked in November of 2018 at around 3.25% and 3.50%, respectively, and trended lower into August of last year, finding floors around 0.50% and 1.25% in the 3rd quarter of 2020, the Bloomberg Barclays Long Treasury index returning a whopping 55% from October 31, 2018 through July 31, 2020. When we published our 7-to-10-year capital market assumptions at the end of 2015, we expected the benchmark Bloomberg Barclays Aggregate Bond index to generate an annualized return of 3% over the coming decade. Now five years in, the Agg has annualized a 4.4% return, but with a current yield of just 1.2% at present, even a 2% annualized return over the next half-decade, which happens to be our return expectation over the next 7-to-10 years, may prove to be too aggressive. While volatility-adjusted returns across the fixed income landscape over the past half-decade have been better than expected, we expect the next half-decade to be far more challenging, with expected returns falling and volatility rising.

With yields across the Treasury curve trending lower over much of the past two years, the "TINA,' or "There Is No Alternative" to stocks trade has been revived. Supported by unprecedented monetary and fiscal relief/stimulus in the face of the COVID-19 pandemic, prices of risk assets, specifically U.S. stocks and corporate bonds, have experienced powerful rallies since the depths of the March lows. With a global economic recovery anticipated over the coming year(s) as COVID-19 vaccines and therapeutics become widely available, we expect risk appetite to remain elevated, with domestic small- and mid-cap stocks, emerging markets, and potentially even developed-international stocks garnering investor attention and inflows at the expense of domestic large cap stocks along the way.

	Large-Cap Equity (S&P 500)	SMID (R2500)	Intl-Developed (MSCI EAFE)	Emerging Mkts (MSCI EM)	Core Fixed Income (Bloomberg Barclays Agg)	Intl Fixed Income (Global Agg ex US)	TIPS	High Yield	Aletrnatives (HFRX Global Hedge Fund Index)
Trailing 5-Year Total Return 12/31/15-12/31/20	15.19%	13.60%	8.05%	13.18%	4.43%	4.79%	5.08%	8.58%	3.29%
2015 FINAL Assumptions (7-10 Years Forward)	6.82%	7.79%	7.70%	9.50%	3.00%	2.45%	2.66%	5.60%	5.00%
Trailing 5-Year Volatility 12/31/15-12/31/20	17.65%	17.31%	17.87%	22.73%	3.89%	5.32%	5.76%	8.66%	4.20%
2015 FINAL Assumptions (7-10 Years Forward)	16.22%	20.06%	18.60%	25.75%	3.88%	6.83%	5.89%	9.85%	9.00%

*All Figures Annualized

Source: Bloomberg, FactSet

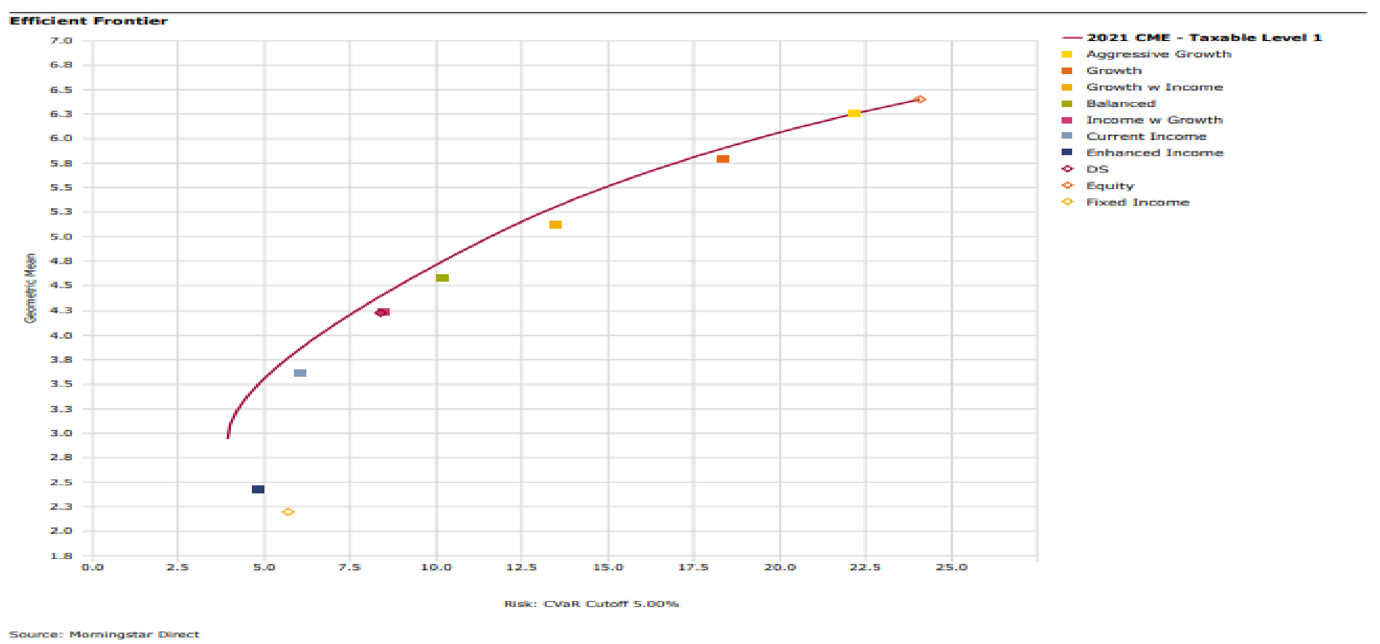
Conclusion

Despite the economic uncertainty and volatility created by the COVID-19 pandemic, asset prices and investor sentiment proved incredibly resilient over the balance of 2020, and there are reasons to believe brighter days are ahead for the global economy and higher prices are in store for stocks in the coming year. Unprecedented monetary and fiscal policies put in place by governments and central banks around the globe amid the onset of the pandemic to provide a backstop and ensure that markets functioned as desired largely remained in place as 2020 wound down, continuing to provide cover, if not a catalyst, for investors to take on 'risk'. Given the fragility of the global economy, many of these programs and emergency facilities should remain in place for the duration of 2021. Global liquidity combined with budding investor and C-suite confidence may lead to a continuation of last year's rally in risk assets in the coming year. However, investor sentiment is decidedly bullish, mutual fund cash positions are at multi-year lows, and activity in the options market points toward a lack of healthy skepticism. While these are signs that near-term caution may be warranted and perhaps prices are at least a bit frothy, we remain constructive on stocks and our return assumptions on a year over year basis are largely unchanged.

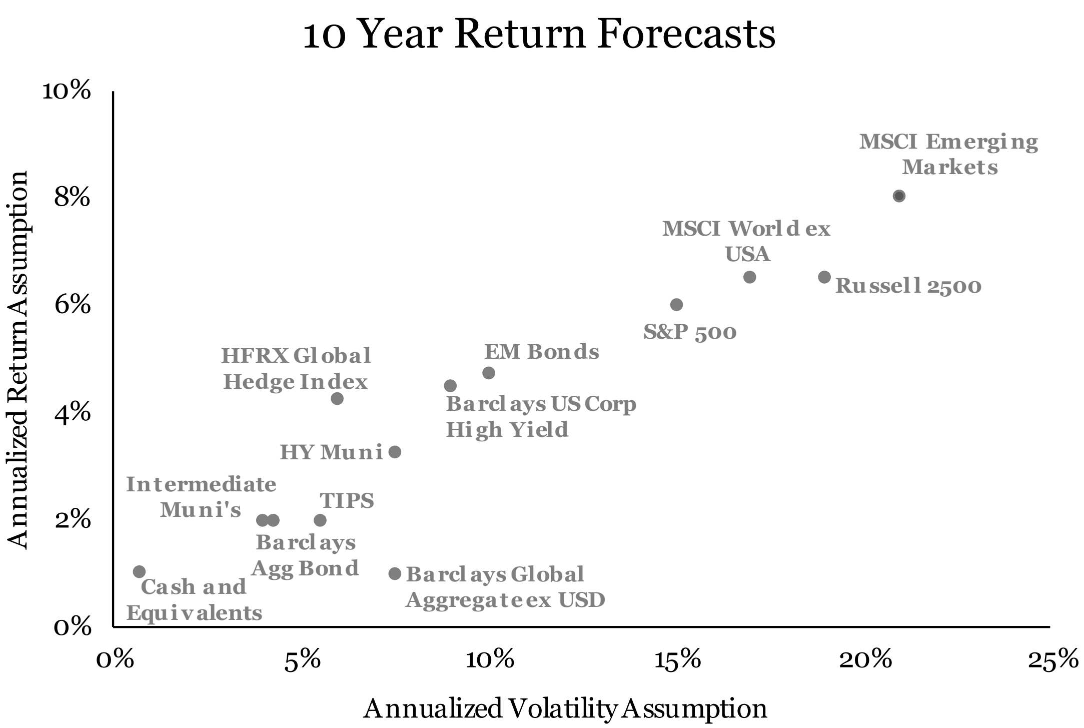
Conversely, with the Bloomberg Barclays Aggregate (Agg) Bond index generating a 7.4% total return in 2020, approaching three times the 7 to 10-year annualized return assumption we published at the end of last year, investors in fixed income-heavy mandates must lower forward return expectations for core investment-grade bonds. The pull forward of returns across the fixed income landscape over the past year presents a challenge for investors attempting to generate or replace income, but we would caution against reaching for yield in riskier, lower quality corporate bonds as compensation for credit risk is low, and once the pendulum swings toward reduced monetary/fiscal support, a painful recalibration will occur.

Monte Carlo Analysis of Selected Portfolios

Investment Objective	95th	75th	50th	25th	5th
Growth (75%EQ/13%FI/12%DS)	12.8	8.7	6.0	3.4	-0.2
Balanced (40%EQ/40%FI/20%DS)	8.7	6.2	4.6	3.1	0.9
Current Income (22%EQ/66%FI/12%DS)	6.1	4.6	3.7	2.7	1.2



Forecast displays 5th/25th/50th/75th/95th percentile ranges of 2,000 MVO Monte Carlo simulations for projected ten-year annualized returns as of November 30, 2020. The equity portion of the portfolios is 65% U.S. equity and 35% global ex-U.S. equity. The bond portion of the portfolios is 80% U.S. investment grade bonds, 10% global ex-U.S. bonds and 10% U.S. corporate high yield bonds. The diversified strategies portion of the portfolios is 100% global hedge.



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Director, Investment Research Group

Chart Source: Morningstar Direct

Appendix

Asset Class Statistics (Simulated)

Asset Classes	Arithmetic Mean	Geometric Mean	Standard Deviation	CVaR Cutoff 5.0%
DS	4.4	4.2	6.1	8.4
Equity	7.7	6.4	16.1	24.1
Taxable FI	2.3	2.2	3.7	5.7
Tax Exempt FI	2.2	2.2	3.7	5.8

Correlations

	DS	Equity	Taxable FI	Tax Exempt FI
DS	1	0.71	0.04	0.14
Equity	0.71	1	-0.01	0.01
Taxable FI	0.04	-0.01	1	0.71
Tax Exempt FI	0.14	0.01	0.71	1

Asset Mix Statistics (Simulated)

	Taxable		Tax Exempt	
Asset Mix	**Geometric Mean**	**CVaR Cutoff 5.0%**	**Geometric Mean**	**CVaR Cutoff 5.0%**
Aggressive Growth	6.3	22.2	6.3	22.2
Growth	5.8	18.3	5.8	18.4
Growth w Income	5.1	13.5	5.1	13.6
Balanced	4.6	10.2	4.6	10.4
Income w Growth	4.2	8.5	4.2	8.7
Current Income	3.6	6.0	3.6	6.3
Enhanced Income	2.4	4.8	2.4	5.0

Source: Regions Asset Management and Morningstar Direct

Important Disclosure

This proposal is intended for the sole use of the prospective client herein named and is not to be distributed to any other party. The proposal is intended to provide the client general information about Regions Institutional Services. The proposal response is not intended to provide legal or tax advice. Although this proposal is based on information from other sources believed to be reliable and accurate, Regions Institutional Services makes no representations or warranties with respect to information contained in this report. Opinions regarding any securities mentioned are subject to change at any time.

The Capital Market Expectations ("CME's") are Regions Asset Management estimates based on historical performance and the current market environment. We do not present the CME's as actual future performance. This information has been prepared by Regions Asset Management based on data and information provided by internal and external sources. While we believe the information provided by external sources to be reliable, we do not warrant its accuracy or completeness. References to future expected returns and performance are not promises or even estimates of actual returns or performance that may be realized, and should not be relied upon. The forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice, interpreted as a recommendation, or be guarantees of performance. In addition, the forecasts are based upon subjective estimates and assumptions about circumstances and events that may not have taken place and may never do so. They have inherent limitations because they are not based on actual transactions, but are based on the historical returns of the selected investments and various assumptions of past and future events. The results do not represent, and are not necessarily indicative of, the results that may be achieved in the future; actual returns may vary significantly.

A Monte Carlo simulation is an analytical tool that is designed to depict a range of potential future portfolio outcomes. The simulations chart the probability of meeting specific financial goals in the future and analyzes the probability of outcomes resulting from underlying assumptions regarding certain economic parameters.

The simulated results contained in this presentation are hypothetical, and are based on forward-looking capital markets assumptions for estimated returns, standard deviation, and correlations. Hypothetical results do not involve market risk, and are achieved with the benefit of hindsight. Actual performance numbers may be materially different from the performance numbers noted above. The scenarios generated from the Monte Carlos simulation represent a spectrum of possible results. The simulated projections have certain inherent limitations since they do not reflect the impact that material economic and market factors might have. Since the activity in your simulation has not actually occurred, the results of the simulation may under- or over-compensate for the impact, if any, of certain market factors and may underestimate the impact of market extreme and the related risk of loss. It is important to remember that this process is based on assumptions that may not reflect the behavior of actual events. For example, Monte Carlo Simulation may not fully account for certain rare and extreme market catastrophes which fall outside normal expectations. A different set of assumptions would create a different probability distribution. Expert opinion regarding expected returns, volatility and market trends vary widely. The simulations are not representative of the performance of any client account. All of the graphs and other information are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Actual investment returns, standard deviation, inflation, interest rates and the cash flows generated by the products and strategies will vary from the projections shown, perhaps significantly. The graphs are not meant to project the performance of the products and strategies or the cash flows that they will generate. The graphs presented represent only three of the many possible outcomes. Results may vary with each outcome and over time. In addition, other products and investment strategies not considered may have characteristics similar or superior to those analyzed in the graphs. The simulations are presented in inflation-adjusted dollars and are based on the specific characteristics of the current and proposed portfolio.

It is possible to lose some or all of your investment. The value of an investment will fluctuate over time and may be worth less than its original cost. Since past performance and market conditions may not be repeated in the future, investment goals may not be fulfilled by following the advice that is based on the projections of the Monte Carlo Simulation.

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