Market Backdrop and Investment Outlook

December 2020

Market Backdrop
Global Market Summary

- The government-ordered economic shutdowns in response to COVID-19 plunged the world into recession and financial markets into a broad-based, severe drawdown
  - Riskier assets declined sharply while governments bonds benefitted as "safe-haven" assets, but almost all asset categories suffered amid an acute liquidity crunch in March

- Aggressive monetary and fiscal responses have followed
  - Policy makers reacted on a greater scale and more rapidly than they did during the global financial crisis
  - Central banks unleashed a series of moves to stabilize markets, slashing interest rates and launching new rounds of quantitative easing
  - Massive fiscal spending packages were announced across the globe

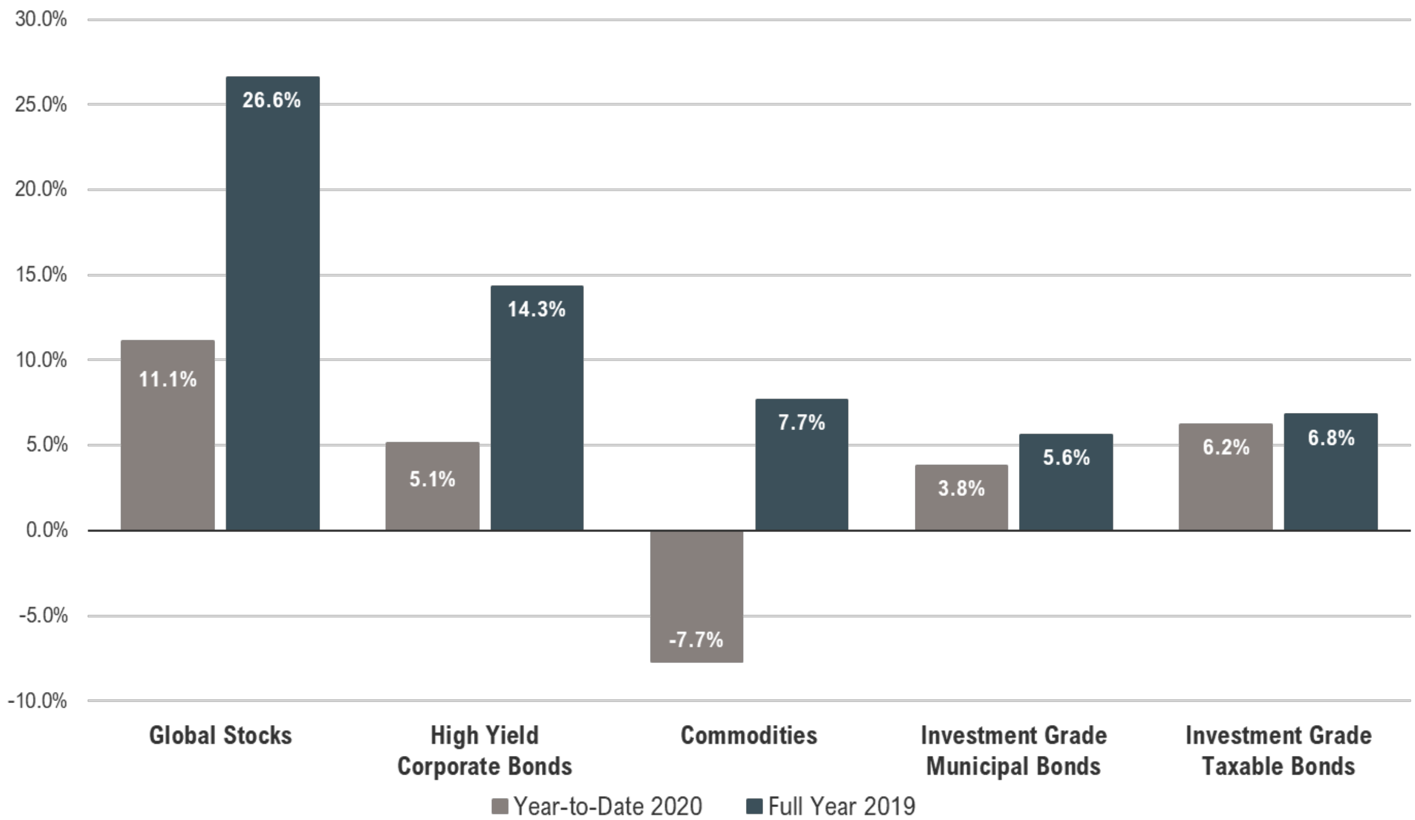
- The economic recovery thus far has been much faster and stronger than most had anticipated
  - The most binding COVID restrictions were temporary, and people became more comfortable resuming activity after the initial lockdown
  - As a result of policy support, household disposable income increased in 2020 as fiscal transfers outweighed losses in pay—very unusual for a recession year

- Equites and other risk asset categories have rallied sharply from the late March lows
  - Beneath the surface, a major bifurcation remains as large/mega cap growth stocks have continued their decade-long run of outperformance relative to value stocks
  - As a result, concentration within broad stock market indexes has soared to record highs

Note: Opinions above based on research as of November 30, 2020. Please see our disclosures at the end of this document.

Market Backdrop
Broad Asset Category Performance

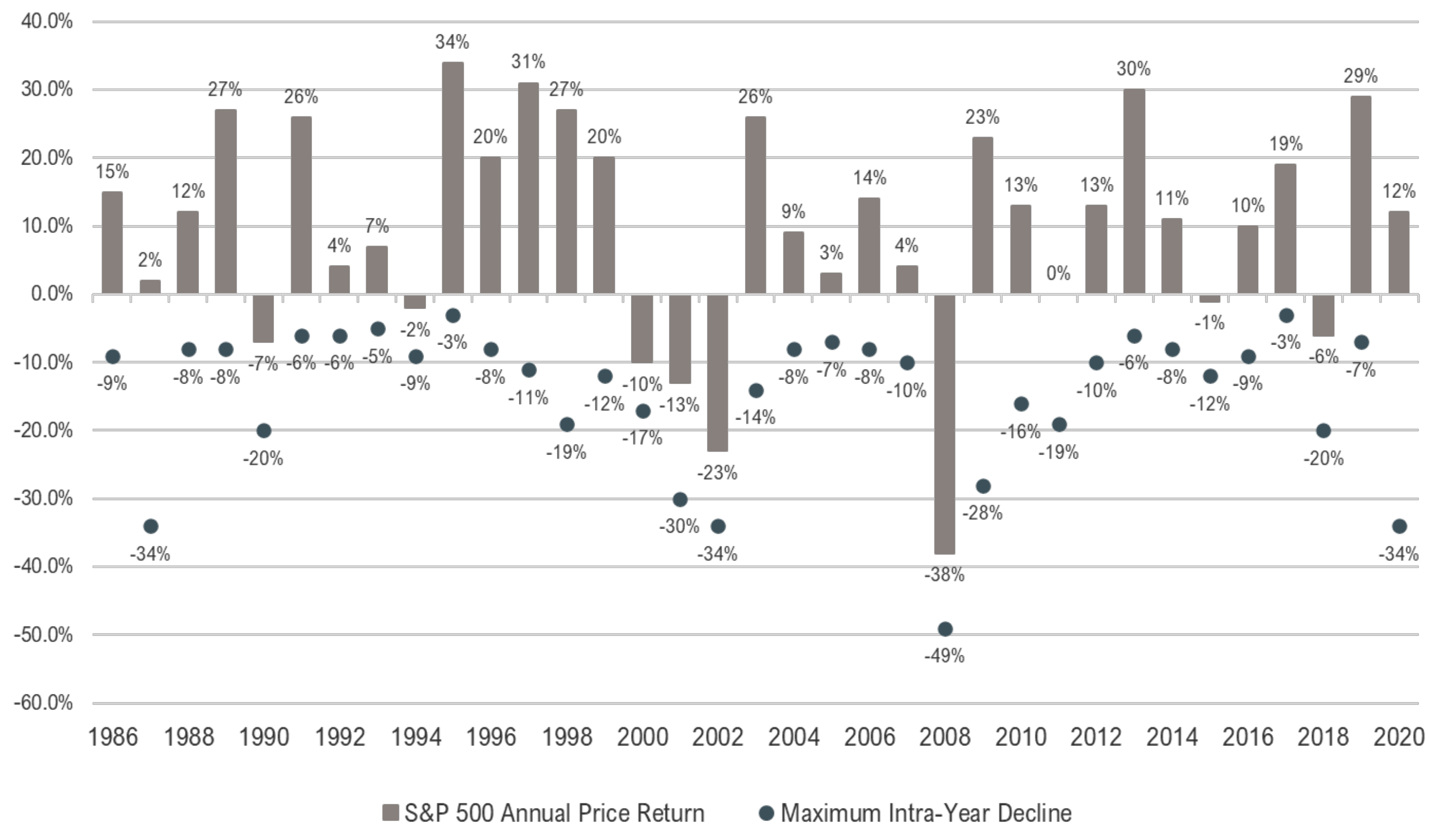
- Despite broad based weakness in early 2020 related to COVID-19, many asset categories have staged a strong recovery and posted positive returns on the year
  - The chart below illustrates broad asset category performance defined by market benchmarks



Note: Performance data as of November 30, 2020. Benchmark data obtained from Addepar. Past performance is not indicative of future results. Global stocks (MSCI All Country World Index), high yield corporate bonds (Barclays US Corporate High Yield Index), commodities (Bloomberg Commodity Index), investment grade municipal bonds (Barclays 1-10 Year Municipal Bond Index Index), and investment grade taxable bonds (Barclays Intermediate US Government/Credit Index).

Market Backdrop
Equity Market Intra-Year Declines

- Historically, so-called equity market "corrections" or declines of 5-10% or more have occurred frequently, even in years with positive equity returns
  – The chart below illustrates the S&P 500 annual price returns and intra-year price declines over time



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management as of November 30, 2020. Past performance is not indicative of future results. Returns are based on price index only and do not include dividends. Intra-year declines refers to the largest market declines from a peak to a trough during the year.

Market Backdrop
Periodic Table of Returns

- US large cap stocks have continued to provide market leadership in 2020, while commodities and energy-related investments have fared the worst
  - The table below illustrates annual returns for various asset classes ranked in order of performance

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Emerging Markets Equity 78.5%	Energy MLPs 35.9%	Energy MLPs 13.9%	REITs 20.1%	US Large Cap 32.4%	REITs 27.2%	Private Equity 5.7%	Energy MLPs 18.3%	Emerging Markets Equity 37.3%	Private Equity 10.7%	US Large Cap 31.5%	US Large Cap 14.0%
Energy MLPs 76.4%	REITs 27.6%	Private Equity 11.3%	Emerging Markets Equity 18.2%	Energy MLPs 27.6%	US Large Cap 13.7%	Municipal Bonds 2.5%	Private Equity 13.3%	International Equity 25.0%	Cash 1.9%	REITs 28.1%	Emerging Markets Equity 10.2%
Bank Loans 51.6%	Private Equity 20.7%	Municipal Bonds 7.6%	International Equity 17.3%	International Equity 22.8%	Private Equity 11.1%	REITs 2.3%	US Large Cap 12.0%	US Large Cap 21.8%	Municipal Bonds 1.6%	International Equity 22.0%	Hedge Funds 4.3%
International Equity 31.8%	Emerging Markets Equity 18.9%	REITs 7.3%	US Large Cap 16.0%	Private Equity 21.3%	Energy MLPs 4.8%	US Large Cap 1.4%	Commodities 11.8%	Private Equity 18.7%	Bank Loans 0.4%	Emerging Markets Equity 18.4%	Municipal Bonds 3.8%
REITs 27.5%	Commodities 16.8%	US Large Cap 2.1%	Private Equity 14.2%	Hedge Funds 6.7%	Municipal Bonds 4.7%	Cash 0.1%	Emerging Markets Equity 11.2%	REITs 9.3%	US Large Cap -4.4%	Private Equity 14.0%	International Equity 3.0%
US Large Cap 26.5%	US Large Cap 15.1%	Bank Loans 1.5%	Bank Loans 9.7%	Bank Loans 5.3%	Bank Loans 1.6%	Bank Loans -0.7%	Bank Loans 10.2%	Hedge Funds 6.0%	REITs -4.4%	Bank Loans 8.6%	Bank Loans 1.8%
Commodities 18.9%	Bank Loans 10.1%	Cash 0.1%	Energy MLPs 4.8%	REITs 3.2%	Cash 0.0%	International Equity -0.8%	REITs 9.3%	Bank Loans 4.1%	Hedge Funds -6.7%	Hedge Funds 8.6%	Cash 0.7%
Hedge Funds 13.4%	International Equity 7.8%	Hedge Funds -8.9%	Municipal Bonds 3.6%	Cash 0.1%	Hedge Funds -0.6%	Hedge Funds -3.6%	Hedge Funds 2.5%	Municipal Bonds 3.5%	Commodities -11.3%	Commodities 7.7%	Private Equity -1.6%
Private Equity 13.3%	Hedge Funds 5.2%	International Equity -12.1%	Hedge Funds 3.5%	Municipal Bonds -0.3%	Emerging Markets Equity -2.2%	Emerging Markets Equity -14.9%	International Equity 1.0%	Commodities 1.7%	Energy MLPs -12.4%	Energy MLPs 6.6%	Commodities -7.7%
Municipal Bonds 7.2%	Municipal Bonds 3.1%	Commodities -13.3%	Cash 0.1%	Emerging Markets Equity -2.6%	International Equity -4.9%	Commodities -24.7%	Cash 0.3%	Cash 0.9%	International Equity -13.8%	Municipal Bonds 5.6%	REITs -8.4%
Cash 0.2%	Cash 0.1%	Emerging Markets Equity -18.4%	Commodities -1.1%	Commodities -9.5%	Commodities -17.0%	Energy MLPs -32.6%	Municipal Bonds -0.1%	Energy MLPs -6.5%	Emerging Markets Equity -14.6%	Cash 2.3%	Energy MLPs -30.4%

**Private Equity data is final as of June 30, 2020.*

Note: Performance data as of November 30, 2020. Benchmark data obtained from Zephyr Associates. Past performance is not indicative of future results. US Large Cap (S&P 500 Index), International Equity (MSCI EAFE Index), Emerging Markets Equity (MSCI Emerging Markets Index), REITs (FTSE Nareit All REITs Index), Bank Loans (S&P/LSTA US Leveraged Loan Index), Municipal Bonds (Barclays 1-10 Year Municipal Bond Index, Energy MLPs (Alerian MLP Index), Commodities (Bloomberg Commodity Index), Hedge Funds (HFRX Global Index), Private Equity (Cambridge Private Equity Index) and Cash (BofA Merrill Lynch US 3-Month Treasury Bill).

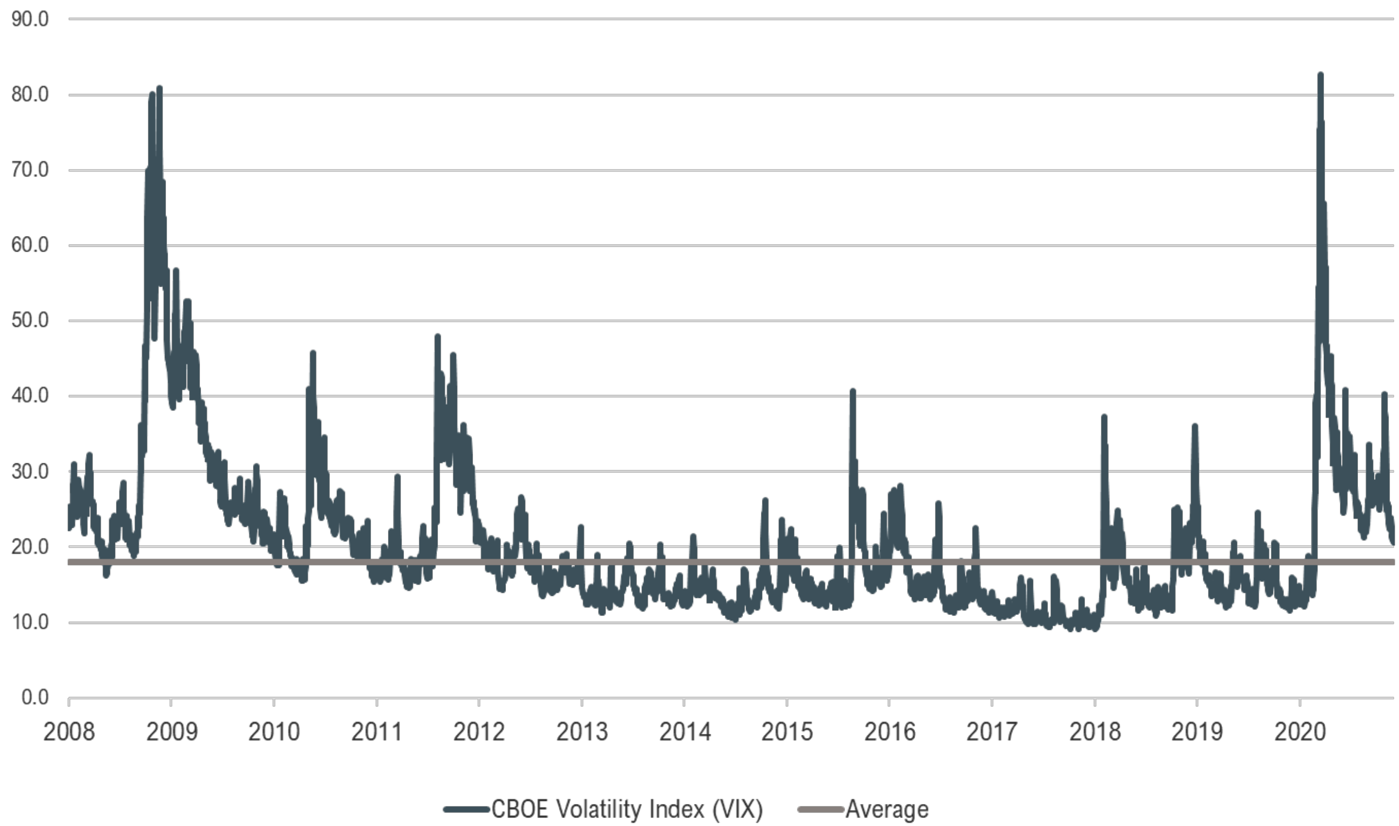
Market Backdrop
Equity Market Performance

- The S&P 500 Index declined over -30% from the February 19th all-time high in only 24 trading sessions—one of the fastest falls into a bear market in history—but has since rallied sharply
  - The chart below plots the S&P 500 Index value since January 1, 2008

Source: Federal Reserve Bank of St. Louis, Economic Research Division as of November 30, 2020.

Market Backdrop
Equity Market Volatility

- Market volatility spiked in March to levels last seen during the 2008 global financial crisis, but has decreased in recent months
  - The chart below plots the CBOE Volatility Index, a gauge of equity market uncertainty, since January 1, 2008



Source: Federal Reserve Bank of St. Louis, Economic Research Division as of November 30, 2020. The CBOE Volatility Index (VIX) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

Market Backdrop
Interest Rate Environment

- Earlier this year, demand for "safe haven" assets pushed bond yields even lower as investors sought shelter in short-term government debt and cash
  - The chart below plots both the 1-Year and 10-year US Treasury Yield since January 1, 2008

Source: Federal Reserve Bank of St. Louis, Economic Research Division as of November 30, 2020.

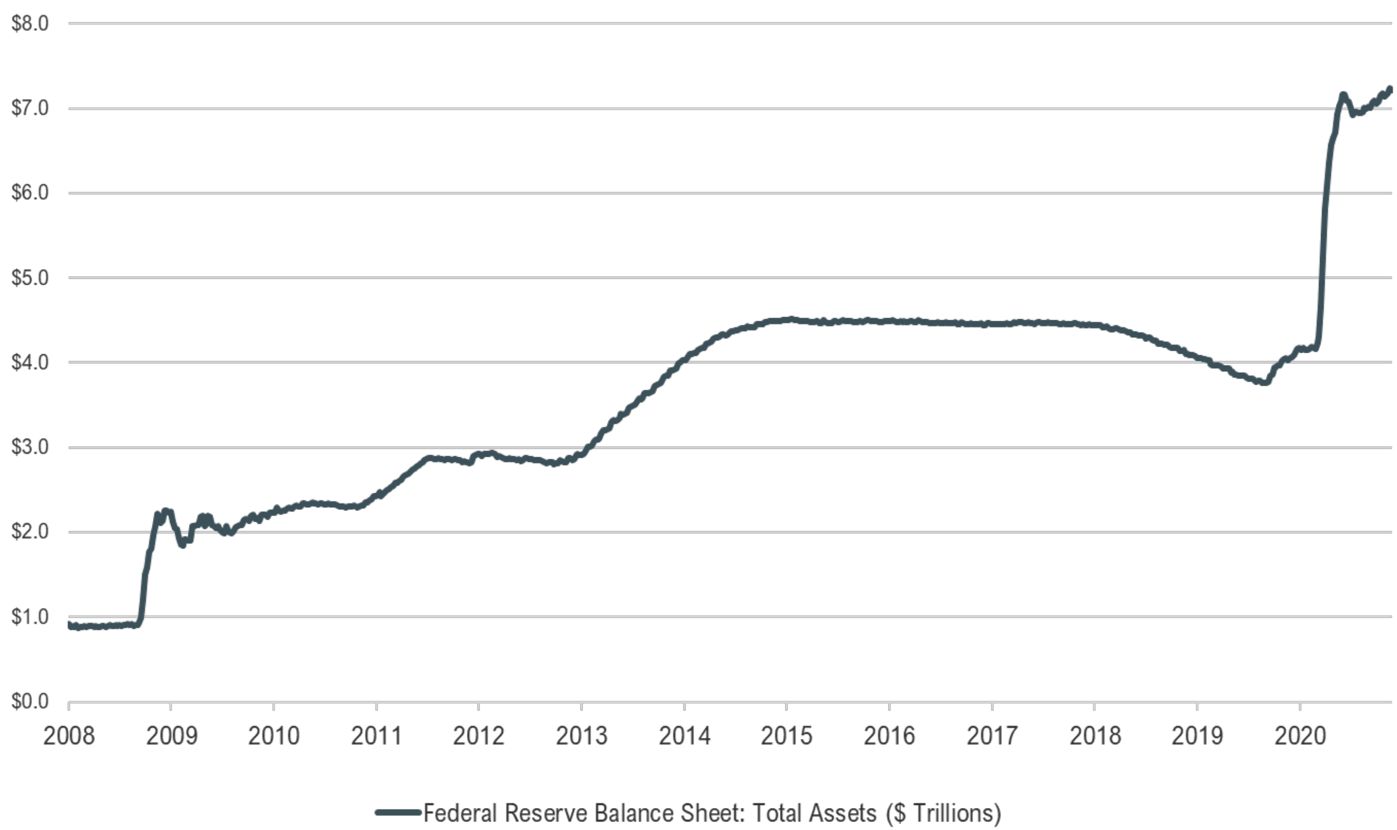
Market Backdrop
High Yield Credit Spreads

- Financial conditions tightened significantly in March due to stock market declines, a stronger US dollar, and wider credit spreads—but have since eased
  - The chart below plots the BofA US High Yield Index spread (relative to treasuries) since January 1, 2008

Source: Federal Reserve Bank of St. Louis, Economic Research Division as of November 30, 2020.

Market Backdrop
Monetary Policy

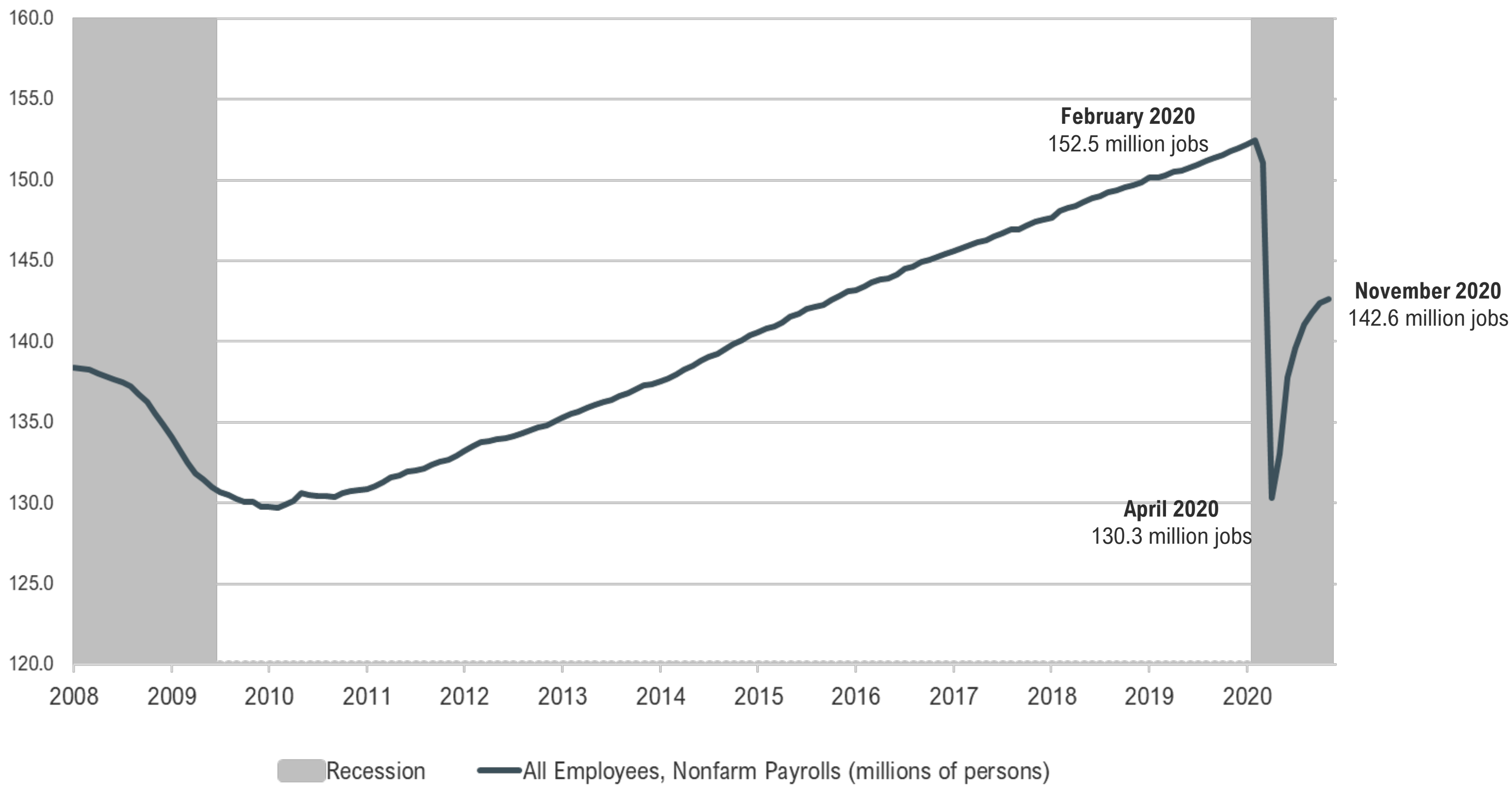
- Global central banks have engaged in significant accommodation, implementing policy rate cuts, forward guidance, and large expansions of quantitative easing
  - The chart below illustrates the size of the Federal Reserve's balance sheet (measured in trillions) since January 1, 2008



Source: Federal Reserve Bank of St. Louis, Economic Research Division as of November 30, 2020.

Market Backdrop
US Labor Market

- After the steepest downturn for the US labor market since the Great Depression, approximately half of the jobs lost in March/April have been recovered—but a resurgence of COVID-19 cases poses a risk
  - The chart below plots the total nonfarm payroll employment in the United States since January 1, 2008



Source: Federal Reserve Bank of St. Louis, Economic Research Division, U.S. Bureau of Labor Statistics as of November 30, 2020.

Market Outlook
Economic Scenarios

- The table below summarizes three scenarios designed to characterize a broad range of potential outcomes for the global macroeconomic backdrop and capital markets over the next few years
  - We refer to these scenarios as the base, bull, and bear cases

Scenario	Probability	Description
Base Case (U-Shape Recovery)	70%	▪ New virus cases decline, while vaccine creation and distribution occurs by the second half of 2021 ▪ Policy makers support asset prices as redeployed cash reserves and savings lead to economic reflation ▪ Recovery continues in 2021, but does not return to pre-pandemic levels until 2022
Bull Case (V-Shape Recovery)	20%	▪ An effective vaccine is produced and distributed in early 2021 ▪ Aggressive coordinated monetary and fiscal policies drive unexpected strong growth ▪ Hostile trade relations between the US and China cool after the election
Bear Case (L-Shape Recovery)	10%	▪ A vaccine is distributed too late or is unsuccessful ▪ Credit crises develop with long-term damage to households and businesses, followed by bankruptcies, further job losses, and structural stagnation

Note: Based on research and opinion provided by Greycourt & Co. as of November 30, 2020.

Market Outlook
Summary Macro Views

- An unusually wide range of potential outcomes exists—and this uncertainty could lead to volatility
  - The intermediate-term economic outlook is largely dependent on the effectiveness and distribution of the COVID-19 vaccine
- Aggressive monetary and fiscal policies are expected to continue
  - This policy support should reduce the extreme "left tail" risk in financial markets
  - Interest rates are likely to remain lower for longer
- Base case assumptions of slow economic recovery, tame inflation, and ongoing policy accommodation should underpin equities and other risk assets over the intermediate term
  - Against this backdrop, the US dollar is expected to weaken, providing support to commodities and international/emerging markets stocks
  - Combination of greater policy experimentation and "peak globalization" trends pose a longer-term inflation risk
- The coronavirus pandemic has reinforced some pre-existing themes (e.g. digitalization of society)—but businesses and societies may organize themselves differently and more cautiously going forward
  - This could translate into a system with less leverage, lower growth, and skinnier profit margins*

*Note: Opinions above based on research as of November 30, 2020. Please see our disclosures at the end of this document. *Source: Jason Trennert, Strategas Research Partners.*

Market Outlook
Capital Market Assumptions and Tactical Views

	10-Year	10-Year	3-Year	Current Tactical Views				
	Trailing Return	Strategic Return Assumption	Tactical Return Assumption	Strong Underweight	Underweight	Neutral	Overweight	Strong Overweight
Inflation	2.0%	2.0%						
Cash								
Cash	0.6%	0.8%					■	
Fixed Income								
US Investment Grade Bonds	3.6%	2.3%			■			
Non-US Investment Grade Bonds	1.4%	3.5%			■			
Tax-Free Municipal Bonds	4.0%	2.5%			■			
High Yield/Bank Loans	6.1%	4.6%					■	
Equities (Public & Private)								
US Large Cap	13.7%	5.6%	4.8%		■			
US Small Cap	9.9%	5.8%	4.1%		■			
Non-US Developed Markets	5.1%	6.0%	4.7%			■		
Emerging Markets	2.9%	6.3%	5.1%			■		
Private Equity		8.4%						
Real Assets (Public & Private)								
Commodities	-6.0%	3.0%				■		
Public Real Estate (Core)	8.9%	5.2%		■				
Private Real Estate (Opportunistic)		7.4%						
Flexible/Alternative Strategies								
Diversifying Hedge	2.9%	4.5%					■	

Note: Based on research and opinion provided by Greycourt & Co. as of November 30, 2020. Tactical views reflect a three-year investment horizon. Suggested asset class weights are influenced by Greycourt's detailed quarterly tactical analysis and are used as a starting point in assessing client portfolio weights against strategic targets which typically reflect a ten-year investing horizon. Past performance is no guarantee of future results. Please see the disclosure pages at the end of this presentation.

Market Outlook
Portfolio Positioning Themes

- Don't tilt too far away from an appropriate strategic asset mix, but maintain an elevated cash position
  - Aim to position for a range of outcomes and seek to take advantage of market volatility by opportunistically rebalancing

- Maintain an underweight position to core/investment grade fixed income
  - While high quality bonds play an important role in portfolio strategy, providing a source of stability and diversification of equity market risk, the predicable income component has shrunk
  - In our view, Treasury Inflation Protected Securities (TIPS) and select high yield credit strategies offer an attractive relative value

- Continue to target an underweight position in US equities while emphasizing high quality stocks and more reasonably priced international and emerging markets
  - New market cycles are often accompanied by a change in market leadership, while non-US stocks—and emerging markets in particular—stand to benefit from attractive valuations

- Target an overweight position to certain diversifying and credit-oriented alternative strategies
  - In our view, the investment case is particularly compelling given the extremely low yields across most fixed income sectors

- Where appropriate, continue to develop private equity and private real estate investment programs as a means to potentially enhance long-term returns
  - Maintain pace of commitments as new capital deployed during periods of economic disruption often generate significant upside

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Appendix

Appendix
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