Portfolio Commentary

Navigator® Opportunity Update

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Navigate Your Future. Enjoy the Journey.

Quick, Dramatic Pain, but Long-Term Opportunity

When we look at the title of our fourth quarter commentary, "2020 Should Be Highlighted By Stable Fed Policy & Election-Driven Opportunities," it is funny how quickly the first quarter's outside-of-the-box events defied expectations. Economic growth was steady and the market made new highs into February, but the coronavirus pandemic was spreading across the globe and by March, the fastest bear market on record forced the Fed into a massive quantitative easing to support a corporate bond market and economy in crisis. It is one thing for an economy to have sales slow in a recession, but this crisis forced many industries to a near halt.

For the quarter, the S&P 500 (IVV) fell by 19.6% while 7-10 Year Treasuries (IEF) gained 10.5%, demonstrating the magnitude of the dislocations in markets and the tremendous thirst for defensive assets. The February 19th high and March 23rd low were only over a month apart, making this the fastest bear market on record.

At their worst, the S&P 500 declined 33.8%, while small-caps lost 41.2% and high yield bonds lost 21.9%. On the quarter, small-caps declined 32.6%, which was 13% more than the S&P 500. High yield bonds lost 11.6% and few other areas of the market were spared. Municipal bonds lost value due to fears of collapsing revenue, and commodities and oil were crushed by the halt in global and even local travel. Traditionally lower correlation strategies like merger arbitrage took a major hit as well.

How did Clark Capital's strategies fare under the stresses of the fastest bear market in history? Our trend following strategies Style, Sector, and International Opportunity fared well, producing smaller losses than their benchmarks. Amazingly, this was because despite a record-fast bear market, the trends within asset classes were very stable!

Tactical strategies that reduce risk and focus on defense and capital preservation such as Fixed Income Total Return and Global Tactical were able to de-risk in late February and early March before re-entering the market on March 27th, thus avoiding downside and enabling us to re-enter at lower prices. Our Alternative Opportunity portfolio underperformed, as fears over economic collapse drove correlations of most assets towards one.

We encourage our clients to take the long view— bear markets such as 2020s can be exciting because they present new opportunities for future returns. We see that today in high yield bonds, investment grade bonds, and certainly in U.S. and international stocks. Will the opportunities come from cheaper and higher earning growth stocks, or now very much beaten down small-caps? We will let our trend following models decide, and as always, we will wait for trends to establish themselves.

As April begins, markets are staging an impressive rally as encouraging news in the fight the coronavirus has emerges. Hope and optimism are returning. As the economy does gear back up, there are certain to be disappointments, and likely large

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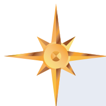

declines that will test investors' stomachs. In the longer run, the most attractive prices we've seen in years in both stocks and corporate credit has us excited about the possibility of regaining a good portion of 2020s losses by year end.

Sector Opportunity Portfolio

The Sector Opportunity portfolio uses a relative strength methodology to rank the top performing sectors over the intermediate-term, and by owning these sectors going forward, (and avoiding lower-ranked sectors) attempts to outperform the S&P 500. 2019's late rally among value and Financials had us beginning the year with positions in Financials, Materials, and Healthcare and Pharmaceuticals in late January. Even before the coronavirus caused markets to melt down, we began to move a portion of the portfolio into the S&P 500, as we could find few ETFs with consistent relative strength to surpass the index itself. Technology (VGT) has been, and so far still is, the persistent winner, yet to be dethroned. When the decline began in earnest in February, broad Technology continued to lead, even on the downside. Eventually, we exited all positions but the S&P 500 itself, Technology, and Healthcare (VHT).

As markets continue a volatile course during the bottoming process, we are uncertain what areas will provide market leadership. Will it be attractively valued Financials, Energy, and Industrials, or will those already cheap industries lag behind as the economy gears back up more gradually than expected? Until trends become more established, we will favor the broad index and the few broad, persistent winners that we can find. Here were some further developments in the portfolio during the quarter:

- The magnitude and persistence of Technology's outperformance and contribution to broad market gains deserves to be quantified. As of March 31st, Technology beat the S&P 500 Index by 6.5% for the quarter (-13.6% vs. -20.1%), by 14% for one year (7.0% vs. -7.0%), and tripled the S&P 500's three year annual gain (17.4% vs. 5.1%).
- At what point was Technology overvalued? The answer befuddles: it never was! It was other sectors like Financials, Energy, and Materials that had cheap prices, but headwinds to their businesses that needed to be avoided. Not asking that valuation question (and avoiding buying downtrodden areas without the market recognizing real turnarounds) is the essence of relative strength investing. We do not delve deeply into why valuations are at certain levels or when they will "be recognized". Rather, we believe the market's wisdom and attraction to certain sectors or equity styles provides valuable, guiding information in and of itself.
- Technology, Health Care, Utilities, and Consumer Staples outperformed the S&P 500 and proved to be defensive havens. Energy was just demolished, declining over 50% due to the travel slowdown and the resulting global oil glut. The sector cannot catch a break. Industrials were also hit hard, falling over 28%
- After the March 23rd low, markets staged a large rally by the end of the quarter. Broad valuations have yet to reach "go all in" levels. On an absolute valuation basis, Financials remain the cheapest sector, but they face headwinds as the portfolio of small businesses they lend face unprecedented stresses. Many borrowers have had sales drop dramatically, and it will take a while to know whether some will be able to survive. We remain on the sidelines.

Ticker	Quarter Ending March 31, 2020	Average Weight (%)	Contribution to Return (%)
Top 3 Contributors			
IBB	iShares NASDAQ Biotechnology ETF	2.87	-0.29
VFH	Vanguard Financials ETF	2.40	-0.08
SLX	VanEck Vectors Steel ETF	1.45	0.02
Top 3 Detractors			
IVV	iShares Core S&P 500 ETF	32.71	-6.80
IGV	iShares Expanded Tech-Software Sector ETF	5.88	-3.93
VGT	Vanguard Information Technology ETF	24.98	-3.50

Source: Factset. For illustrative purposes only. Past performance does not guarantee future results. The holdings identified do not represent all of the securities purchased, sold or recommended for advisory clients. In the chart above, "weight" is the average percentage weight of the holding during the period, and "contribution" is the contribution to overall performance during the period. To obtain the calculation methodology and a list showing every holding's contribution to the overall composite during the period, contact: PortfolioAnalytics@ccmg.com.

International Opportunity Portfolio

The International Opportunity portfolio's stated mission is to allocate tactically between international style, factor, and region ETFs that are displaying significant relative strength (and avoiding those that do not), in an attempt to outperform the MSCI All Country World Ex-U.S. Index. The portfolio's universe of investments now includes factor, style box, and regional ETFs such as: international value, growth, quality, small-cap, currency hedged, minimum volatility, buyback and momentum ETFs, along with emerging markets, emerging markets small-cap, and emerging markets minimum volatility ETFs.

Our move to broader, multi-country ETFs has proven beneficial, as the portfolio and ETF matrix now follows longer-term

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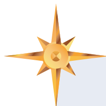

and less volatile trends. The international equity space has, frankly, produced disappointing results for many years. On a five-year basis, even after this quarter's collapse, the S&P 500 (IVV) is up 38.2% over that time, a 6.7% per year pace. Meanwhile, broad international equities are down 2.7%, a -0.5% per year pace.

An underweighting to international equities until their fundamentals and performance turns arounds only makes sense. Within the International Opportunity sleeve, we view the U.S. as a viable investing option for up to 25% of the portfolio, and for most of last year and much of this quarter we owned that full amount in U.S. equities. When and how Europe and/or emerging markets solve their underlying structural, currency, and demographic issues is an unknown. Until a clear answer develops, U.S. equities, high quality balance sheets, international growth stocks, and international momentum itself (IMTM) are likely to be portfolio mainstays, as they were during the first quarter of 2020:

- European financials have struggled for many years amidst questions of whether they can survive in their current form. We believe one thing is certain: they have not been disappointing. Making the right call on the struggling sector, the largest in international equities, is vital. Among factor ETFs, value (EFV) and small-caps (SCZ), both heavy in Financials, struggled during the decline. Quality (IQLT) and growth (EFG), two factors that at this time are highly correlated, were underweight Financials and overweight Technology. Their gradual but persistent relative strength has made them mainstay holdings.
- Our strategy follows relative strength on the ETF level, but an ETF that follows the same strategy at the individual stock level (IMTM) made its way into the portfolio this quarter. IMTM owns those stocks with strong risk-adjusted performance over six and twelve month periods, and it favored leading sectors like Technology and Healthcare, along with defensive sectors like Utilities and Consumer Staples. More importantly, it avoids Energy and underweights Financials.
- With European and Japanese interest rates at zero or negative, with no end in sight, the strength and effect of the dollar is profound in the international equity space. The portfolio reflects this dollar strength by owning the S&P 500 and the Currency Hedged EAFE ETF (DBEF). One sign that the current market troubles might not be over is that the dollar has only strengthened, despite U.S. rates themselves having been pushed down to zero.

Ticker	Quarter Ending March 31, 2020	Average Weight (%)	Contribution to Return (%)
Top 3 Contributors			
AAXJ	iShares MSCI All Country Asia ex Japan ETF	2.27	1.24
IPKW	Invesco International BuyBack Achievers ETF	4.39	0.09
SCZ	iShares MSCI EAFE Small-Cap ETF	3.03	-0.04
Top 3 Detractors			
IVV	iShares Core S&P 500 ETF	24.08	-6.41
EFG	iShares MSCI EAFE Growth ETF	20.89	-5.28
IMTM	iShares Edge MSCI Intl Momentum Factor ETF	7.95	-3.99

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Style Opportunity Portfolio

The Style Opportunity portfolio began the quarter with a large-cap bias, but slightly favored value stocks. However, early in January, our models responded to a resurgence by growth stocks, and we shifted towards growth, quality, and the S&P 500 itself.

Our macro analysis and expectations were for the slow and stable economic growth to continue into 2020, and in that environment, growth stocks had been leaders. The momentum factor ETF (MTUM) climbed in our ranks and became a holding on February 19th, which turned out to be the market high, as the coronavirus had begun to devastate China and soon spread across the world. When the virus hit, it was a sudden shock, altering the economy in ways even beyond a normal recession; but still, large-cap and growth stock leadership continued and even accelerated into the March 23rd bottom.

Normally, in a sharp decline, the prior leaders are eventually dragged down and underperform as a bear market accelerates; this time our rankings of style and factor-based ETFs barely budged despite massive market disruptions. In fact, as the decline steepened one of our holdings, the momentum factor ETF, saw its relative strength accelerate and begin to look like a straight line up.

That led us to take profits in that ETF, as our prior experiences and empirical studies show that the one time that the momentum factor, and correspondingly the Style Opportunity portfolio's own methodology, are likeliest to underperform is after a major market bottom, when the prior leaders

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enjoy a sizeable oversold rally. Thus, the portfolio moved into a large indexed position, owning only the S&P 500 (IVV) and large-cap growth (SPYG) out of the bottom as the quarter ended.

We are making an effort not to be too defensively invested as the market bottoms and leadership changes. That bottoming process is ongoing now. We are excited about the prospect of potentially owning small-cap and value stocks that are shorter and longer-term beaten down (see table of Style ETF results below), but as always we will remain on the sidelines until a trend favoring these beaten down areas take hold.

ETF Name & Symbol	First Quarter 2020	Prior 2 Years Annualized (03/31/18 to 03/31/20)
iShares S&P 500 ETF (IVV)	-19.6%	0.9%
SPDR S&P 500 Value ETF (SPYV)	-26.0%	-3.6%
SPDR S&P 500 Growth ETF (SPYG)	-14.7%	4.8%
iShares Small Cap Value ETF (IJS)	-37.9%	-17.1%
iShares Small Cap Growth ETF (IJT)	-28.7%	-10.1%
iShares Small Cap Growth ETF (IJT)	-28.7%	-10.1%

Source: Bloomberg. For illustrative purposes only. Past performance does not guarantee future results.

- Among major factors, momentum (MTUM) and minimum volatility fared best during the decline, falling 15.2% and 17.7%, respectively. High dividend (HDV) stocks fell 27.0%, while buybacks (PKW) declined 29.8%, and high beta (SPHB) stocks fell an eye-opening 37.4%.
- Though value stocks underperformed growth, the real damage was done among small-caps, which are down substantially over a two-year period. An analysis just of valuations would say that the low on March 23rd was an excellent buying opportunity in stocks. The S&P 500 Forward Price-Earnings ratio fell to 13.9. Small-caps were even cheaper and 12.7, and mid-caps were the cheapest of all at 11.7. Mid-cap value stocks had a bargain basement P/E of 9.1; the mid value category includes numerous Energy, Financial, and Real Estate companies facing considerable headwinds right now, but valuations that hit those levels indicate that the bad news has been priced in.

Ticker	Quarter Ending March 31, 2020	Average Weight (%)	Contribution to Return (%)
Top 3 Contributors			
QUAL	iShares Edge MSCI USA Quality Factor ETF	14.45	0.85
PKW	Invesco Buyback Achievers ETF	2.44	0.10
SPY	SPDR S&P 500 ETF Trust	0.02	0.00
Top 3 Detractors			
IVV	iShares Core S&P 500 ETF	43.22	-9.75
SPYG	SPDR Portfolio S&P 500 Growth ETF	30.50	-6.79
MTUM	iShares Edge MSCI USA Momentum Factor ETF	3.91	-1.91

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Global Tactical Portfolio

The methodology of the Global Tactical portfolio uses broad domestic and international equity ETFs as vehicles to own equity risk when our indicators favor taking risk, and defensive U.S. Treasuries or cash to play defense. The portfolio uses the Fixed Income Total Return credit market model as an overlay to manage risk. When the credit market model is positive towards high yield bonds (and thus on credit risk and market risk in general), the portfolio will own broad, ultra-low-cost U.S. and international equity ETFs. However, when the credit model turns negative, the portfolio sells equities and owns cash or Treasury bonds that are in line with the Fixed Income Total Return portfolio's holdings.

The portfolio came into the quarter fully invested in equities and the U.S. equities continued to produce gains into the February 19th top, but perhaps international equities gave a warning as they made a lower high in February. Once sentiment and markets peaked in March, a decline was overdue. No one anticipated the magnitude and speed of this decline – the fastest decline to reach bear market territory. However, the Global Tactical's credit-based risk model was ready to act. One week after the market top on February 26th, the portfolio sold half of its equities and moved that portion into intermediate-term Treasuries. Two weeks later, we sold the remainder of our equities as credit market stability was nowhere to be found.

The decline accelerated as a far away virus in China spread across the globe, first ending most air travel and then forcing many nations to issue stay-at-home orders. The bear

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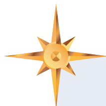

market ended on March 23rd, barely a month after it began. Below are the results of the portfolio's four equity holdings for the entire quarter (buying and holding each position), for the period that we reduced our position in half (02/26 to 03/09) and also when we had exited equities entirely (03/09 to 03/27):

ETF Name & Ticker	1st Quarter 2020	2/26 – 03/27	03/09 – 03/27
SPDR S&P 500 ETF (SPLG)	-17.1%	-11.9%	-7.1%
iShares Core S&P Small Cap ETF (SPLG)	-33.9%	-16.3%	-14.2%
iShares Total International Stock ETF (IXUS)	-23.8%	-11.7%	-9.7%
Vanguard World Ex-U.S. International Small Cap ETF (VSS)	-29.2%	-12.5%	-14.0%

Source: Bloomberg. For illustrative purposes only. Past performance does not guarantee future results.

Ticker	Quarter Ending March 31, 2020	Average Weight (%)	Contribution to Return (%)
Top 3 Contributors			
IEF	iShares 7-10 Year Treasury Bond ETF	3.08	1.31
SPTI	SPDR Portfolio Intermediate Term Treasury ETF	3.07	0.78
SPTS	SPDR Portfolio Short Term Treasury ETF	10.60	0.05
Top 3 Detractors			
SPLG	SPDR Portfolio S&P 500 ETF	35.12	-3.66
IJR	iShares Core S&P Small Cap ETF	14.85	-2.95
IXUS	iShares Core MSCI Total International Stock ETF	14.25	-2.03

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Alternative Opportunity Portfolio

We recommend that investors view the Alternative portfolio as a source of alternative beta and exposures that still when possible looks to capture available risk premia and tactical trading gains. The product is designed to serve as a diversifier to a traditional portfolio. The portfolio contains a broad mix of themes which breaks down as follows: Alternative-Oriented Mutual Funds and ETFs 47.0%, Tactical Global Equity 29.0%, Fixed Income 11.0%, Commodities and Commodity Equity 9.0%, and Cash 4.0%. The following are some important events that occurred in the portfolio during the quarter:

- The primary purpose of the core liquid alternative portion of the portfolio is to provide non-correlated alternative exposure and includes seven mutual funds (and one ETF) in the alternative credit, long/short equity, long/short commodity, managed futures, options-based, high yield muni bond, and merger arbitrage areas. During a sudden, dramatic event like the virus-driven slowdown/shutdown of the economy, the benefits of diversification did not fully show up. With both credit and equity markets under severe pressure, it was largely Gold, U.S. Treasuries, the Dollar, and cash that were positive – and that was it.
- The Alternative investing indexes were mixed during the fourth quarter. The Bloomberg Commodity Index was crushed by oil and declined 23.2%. Gold (GLDM) was up 3.6, proving to be a safe haven. The HFRX Event Driven Equity Index declined by 5.5%. The SG Trend Index, a trend-following managed futures index, gained 2.3%. Our Alternative portfolio benchmark, the HFRX Global Hedge Fund Index, declined by 6.9%.
- During the quarter, we reduced emerging market equities as the decline began, and reduced imuni high yield and alternate credit as interest rates bottomed. As the decline accelerated, we added back on to risk by purchasing inverse volatility and a large-cap growth ETF.

Ticker	Quarter Ending March 31, 2020	Average Weight (%)	Contribution to Return (%)
Top 3 Contributors			
LCSIX	LoCorr Long/Short Commodities Strategy Fd Cl I	6.28	0.88
GLDM	SPDR Gold MiniShares Trust	7.31	0.21
ICLN	iShares Global Clean Energy ETF	0.00	0.00
Top 3 Detractors			
ZIV	VelocityShares Daily Inverse VIX Medium-Term ETN	0.94	-1.64
OIH	VanEck Vectors Oil Services ETF	1.51	-1.32
EUFN	iShares MSCI Europe Financials ETF	2.78	-1.02

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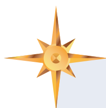

Fixed Income Total Return

The Fixed Income Total Return portfolio was very active in the credit markets during the quarter, de-risking out of high yield as the downturn progressed, and eventually near the end of March re-entering high yield at lower prices and higher yields. High yield bonds began the year on the rise and were up over 1% as the market peaked on February 19th. Our credit-risk management model, however, peaked in mid-January, and perhaps the strength in Treasuries was reflecting the beginning of the coronavirus crisis in China. It is impossible to know, but Treasuries began to strengthen before the market peaked. As a result, when the markets peaked and credit markets turned, on February 26th, only a week after the top, we reduced our High Yield position in half and purchased Treasuries with half the portfolio.

Lower quality credit markets continued to deteriorate and by March 9th, we exited high yield entirely. Between February 26th and March 9th, the Treasuries we owned with half of the portfolio were up about 4% while the high yield bonds we owned in the other half declined by 5%, so the portfolio had small losses during that period, but much less than entirely owning high yield.

After our March 9th exit from high yield, markets, and particularly high yield bonds, collapsed. Between March 9th and the market bottom on March 23rd, the High Yield Bond Index collapsed by 15.6% in just two weeks. As the Federal Reserve stepped in and provided a support facility for many companies, particularly investment grade companies, markets rallied sharply off the March bottom. Only three days later we were buyers of high yield bonds, which we currently own as the quarter ends. We engaged in a lot of trading within the credit markets during the quarter, and that activity is summarized below in terms of the average price of the bonds in the S&P 500 High Yield Bond Index:

January 17th	Average high yield bond price peaked at 102.49
February 26th	Sold half of our high yield bond position and bought Treasuries; average price at 101.28.
March 9th	Sold other half of our high yield position; average price at 95.56. Reduced our Treasury duration to preserve gains.
March 23rd	Markets bottomed; average price at 80.05.
March 27th	Re-entered high yield bonds when average price was at 85.29.

Source: Bloomberg. For illustrative purposes only. Past performance does not guarantee future results.

As we consider ourselves risk managers first, we are keenly aware that owning high yield bonds in middle of what most claim is a recession raises concerns for investors, given the bad economic news that will be coming. Clients should rest assured that we have a laser-eyed focus on the risk of our position and are not hesitant at all to quickly exit if we see further deterioration.

In the longer run, however, we are excited about the return potential in high yield bonds. Spreads over government bonds exceeded 10% during the decline, and on average when that has occurred returns are five to six times above average for the next six months. While we wait for a bottom to form, we are excited about the losses that we have minimized and the potential for future gains.

Ticker	Quarter Ending March 31, 2020	Average Weight (%)	Contribution to Return (%)
Top 3 Contributors			
IEF	iShares 7-10 Year Treasury Bond ETF	1.54	0.65
SPTI	SPDR Portfolio Intermediate Term Treasury ETF	1.53	0.39
HYLB	Xtrackers USD High Yield Corporate Bond ETF	2.06	0.04

Ticker	Quarter Ending March 31, 2020	Average Weight (%)	Contribution to Return (%)
Top 3 Detractors			
NTBIX	Navigator Tactical Fixed Income Fund Class I	49.86	-2.01
OHYFX	JPMorgan High Yield Fund I Class	3.38	-0.25
PHIYX	PIMCO Funds High Yield Fund Institutional Shares	3.75	-0.24

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Sentry Managed Volatility Portfolio

Hedging one's equity exposure during a strong market for equities (or even just a flat market for equities) is an exercise in patience and understanding the proper role of a hedge in a broader portfolio. Sometimes that patience pays off when markets are hit by a sudden shock and unexpected strike of lightning. When the economy grounds to a sudden and startling halt, the Sentry portfolio's equity hedge and negative correlation to market declines helped reduce the pain in equity portfolios.

The global coronavirus pandemic proved to be a huge and unexpected disruption, creating an unprecedented liquidity event across most asset classes. The S&P 500 collapsed by over 33% between late February and March 23rd. Now, at least, it appears a bottoming process and recovery is underway.

We have written many times about how an equity hedge gains from spikes in volatility, but those gains are very fleet-

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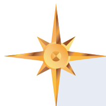

ing indeed. When the decline becomes a bear market and something much more than a correction, we look to capitalize on those gains, take profits, and employ those monies back into our other equity portfolios, particularly in the Global Balanced and Global Equity ETF Hedged portfolios. Thus, we were able to add some additional equity exposure at relatively attractive prices and if there is a longer-term turnaround, enhance portfolio upside. We have not had the chance to reallocate into equities and act on such a large decline since 2016.

Looking forward, with a large decline now having taken place, does a hedged position have a role in a portfolio? While markets had discounted a recession and the poor earnings that come with it by March 23rd, a large rally since then is founded on optimism that we may have a V-shaped recovery. While we hope that the restrictions on travel and conducting business are lifted as soon as possible, we cannot imagine that the same levels of activity will immediately resume. Some might hold back resuming their activities due to health concerns, and many others face considerable financial pressures and need time to regain confidence. While we may or may not make new lows that break the March 23rd selloff levels, disappointing news that the recovery will be slower and more U-shaped than V-shaped is highly likely, and may present another opportunity to take gains on our equity hedge, perhaps in the second half of 2020.

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This document may contain certain information that constitutes forward-looking statements which can be identified by the use of forward-looking terminology such as "may," "expect," "will," "hope," "forecast," "intend," "target," "believe," and/or comparable terminology (or the negative thereof). Forward looking statements cannot be guaranteed. No assurance, representation, or warranty is made by any person that any of Clark Capital's assumptions, expectations, objectives, and/or goals will be achieved. Nothing contained in this document may be relied upon as a guarantee, promise, assurance, or representation as to the future.

A S&P obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments on the obligation.

A S&P obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments on the obligation.

A S&P obligation rated 'CCC' is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitments on the obligation.

The SG Trend Index is a trend-following index that measures managed futures.

The Bloomberg Commodity Index is a highly liquid and diversified benchmark for commodity investments.

Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in market value or an investment), credit, prepayment, call (some bonds allow the issuer to call a bond for redemption before it matures), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

Foreign securities are more volatile, harder to price and less liquid than U.S. securities. They are subject to different accounting and regulatory standards, and political and economic risks. These risks are enhanced in emerging markets countries.

The HRFX Event Driven Index maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities.

The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

The 10 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 10 year. The 10 year treasury yield is included on the longer end of the yield curve. Many analysts will use the 10 year yield as the "risk free" rate when valuing the markets or an individual security.

High Yield Corporate Bond Index is designed to track the performance of U.S. dollar-denominated, high-yield corporate bonds issued by companies whose country of risk use official G-10 currencies, excluding those countries that are members of the United Nations Eastern European Group (EEG).

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 75% of U.S. equities.

The volatility (beta) of a client's portfolio may be greater or less than its respective benchmark. It is not possible to invest in these indices. Index returns include the reinvestment of income and dividends. The returns for these unmanaged indexes do not include any transaction costs, management fees or other costs. It is not possible to make an investment directly in any index.

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