1Q2024 Outlook – Hot or Not?

Sierra Capital Quarterly Newsletter

April 2024

Volatile Year for Asset Prices in 2023

Key points:

The first quarter of 2024 saw a surge in global equities and a decline in fixed income due to a rise in US Treasury yields. Investor sentiment shifted from 6 rate cuts towards a scenario of 4 (now 2 by the time of this publication), supported by robust economic data such as ADP Employment and Non-Farm payrolls, JOLTS data, and ISM manufacturing reports exceeding expectations. However, recent Fed statements dismissing rate cut probabilities, alongside a hotter-than-expected March CPI release, tempered rate cut optimism.

The core CPI's recent strength, driven mainly by services, indicates moderating trends in rent measures, while core goods inflation softened. Robust employment figures in March, coupled with wage inflation easing, reflect improved labor market conditions. Due to these positive indicators, the Federal Reserve remains cautious, maintaining a restrictive stance until inflation decelerates.

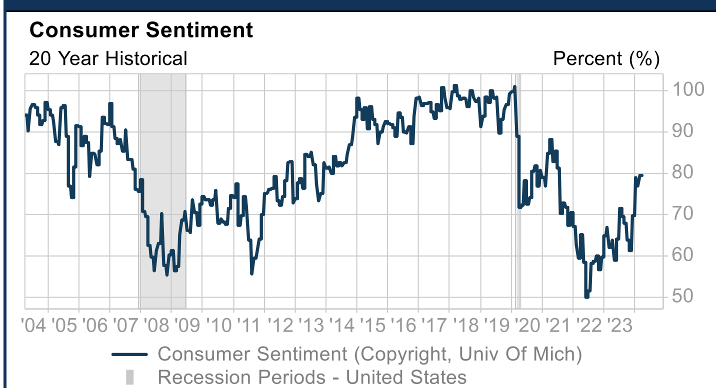
Strong economic growth expectations globally mixed with geopolitical tensions have also contributed to a broad rally in commodities such as energy, raising inflation concerns for 2024. However, surging cost of US government debt coupled with a rising government budget look to push the Fed to cut rates sooner than later to risk ballooning government debt.

Looking ahead, while US equities continue to dominate, alternatives across asset classes are gaining traction, reflecting evolving market dynamics and the search for reasonable investment opportunities beyond traditional equities. Valuations in the United States also look to be getting stretched, however growth expectations are still quite strong. Any changes to this narrative could lead to some market volatility.

As the tides comes in, all boats rise. This was the theme for stocks in 1Q2024 as global equities increased by 8%, while fixed income decreased by -2.1%, attributed to a nearly 33 basis points increase in US Treasury yields as central bank rate cut expectations dwindled. Regionally, the S&P is up over 10%, NASDAQ gained 9%, STOXX rose approximately 10%, while MSCI Asia ex Japan was only up 2%. For fixed income, the Barclays Global Agg was lower by 2.1% and the US Agg was down 80bps. Corporate credit, however, has a shorter duration than the Global Agg, and spreads did tighten as equity prices increased, leading to a 2.1% quarterly return for Global High Yield.

During the quarter investors seemed to have shifted their expectations to a "No Landing" scenario inclusive of Federal Reserve rate cuts as economic data continued to come in pointing to a strong and growing economy. ADP Employment and Non-Farm payrolls, JOLTS data, and ISM manufacturing were all stronger than expected as consumer sentiment came off from their lows. (**Table 1**)

Table 1: Consumer Sentiment

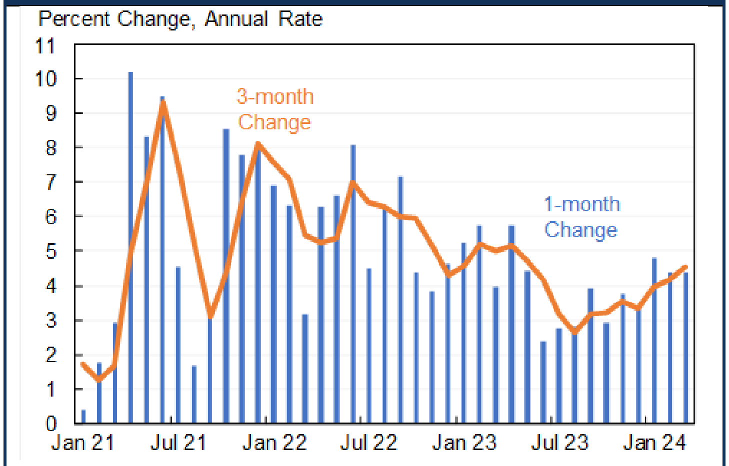


Source: FactSet, Sierra Capital

Inflation

Despite these positive trends, Fed speak dismissing the probability of rate cuts coupled with the March CPI release, which came in hotter than expected, looks to have taken the wind out of the sails of rate cut optimism. Commentary now is that the January CPI beat, which many called a seasonal anomaly, is actually a potential ongoing headwind for the Fed. (**Table 2**)

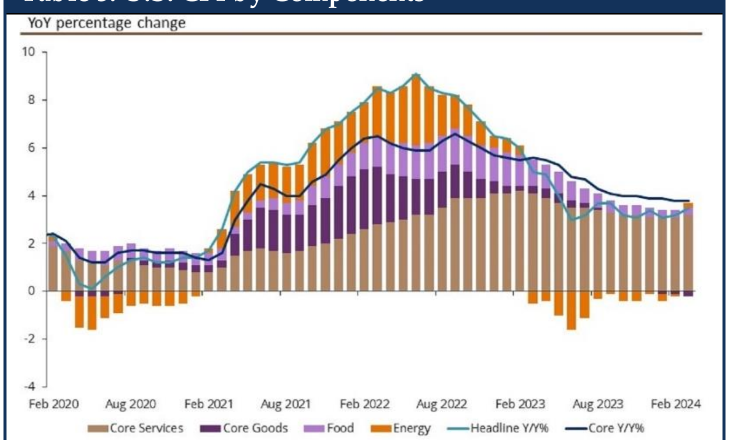
Table 2: Core CPI Inflation



Source: BLS

Recent strength in CPI's core measure largely stems from services, with core services prices up 0.5% in March, mainly due to rent measures. Rent measures have been moderating on a year-ago basis, with expected further moderation over time due to industry trends and increased housing supply. Core goods inflation has been soft, down 0.1% in March and vehicle prices have been declining, aiding in this decrease. Energy CPI rose 1.1% in March, while the food price index increased 0.1%. (**Table 3**).

Table 3: U.S. CPI by Components

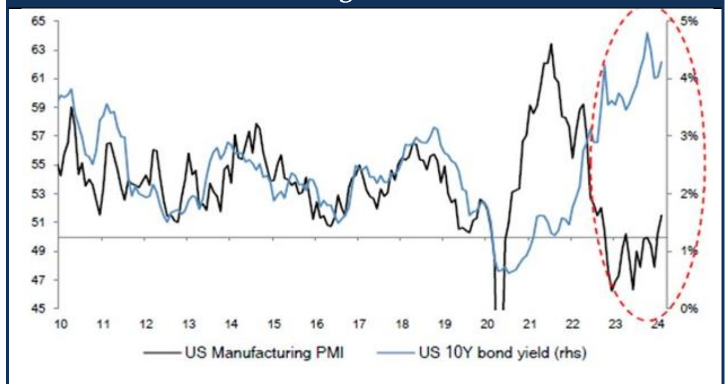


Source: Bloomberg, JPM

US 10-year Treasury yields and the dollar surged to four-month highs on the back of robust data, with non-farm payrolls (NFP) significantly exceeding expectations (303k vs 214k consensus) and ISM manufacturing data indicating expansion (50.3 vs 48.3 consensus) for the first time since September 2022. Moreover, the outperformance in prices (55.8 vs 53 consensus) compared to new orders (51.4 vs 49.8 consensus) further solidifies the narrative of dwindling expectations for rate cuts this year.

However, bullish investors argue that there's mounting evidence suggesting the Federal Reserve's assertive hawkish stance, initiated in 2022, is putting the brakes on the economy. Consequently, this should lead to a reduction in future inflationary pressures. Such a scenario would likely cap bond yields, thereby favoring risk assets. Additionally, despite recent stabilization in manufacturing purchasing managers' indices (PMIs), the persistent gap between PMIs and bond yields hints at ongoing economic moderation. This, in turn, is expected to limit bond yields and eventually lead to monetary easing. (**Table 4**).

Table 4: US Manufacturing PMI and 10Y Bond Yield

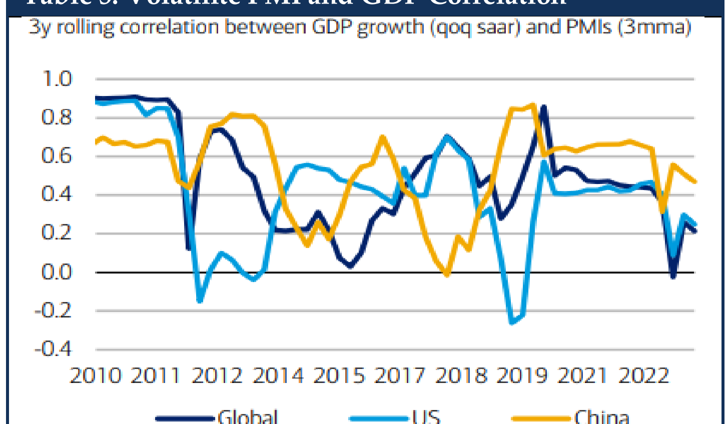


Source: JPM

<u>Global Economic Activity</u>

PMIs can be an unreliable read on the economy, but if the recent recovery marks a genuine turning point, it could signal the end of the last major sectoral recession in the US. Generally, PMIs should be taken with caution as their correlation with GDP is volatile globally and across countries, even across different time periods. While manufacturing PMIs tend to correlate positively with quarterly GDP growth over longer periods, the instability in correlations makes predicting GDP growth based on PMIs highly uncertain (**Table 5**).

Table 5: Volatilite PMI and GDP Correlation

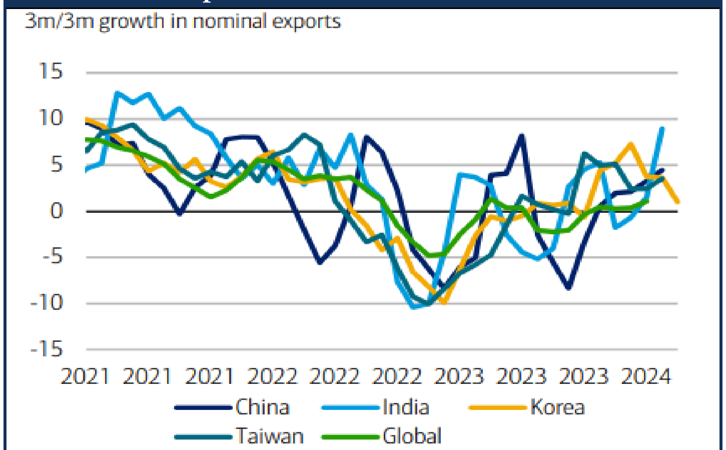


Source: Haver, BAML

Globally, there are promising signs for growth, with nominal increases in global trade and encouraging PMIs in both the US and China. China's latest PMI hit a one-year high, mirroring the US's expansionary PMI. However, caution is warranted with these indicators due to potential noise.

There's been an improvement in exports for both developed and emerging markets, albeit with mild growth rates and volatile sequential data. Emerging markets particularly show a clearer sequential uptick in exports (**Table 6**) from their negative print in 2022 and 2023. While it is too early to tell if the increase will continue, strong PMIs and growing trade are positive signs for global demand.

Table 6: EM Exports Positive Trend



Source: Haver, BAML

Employment

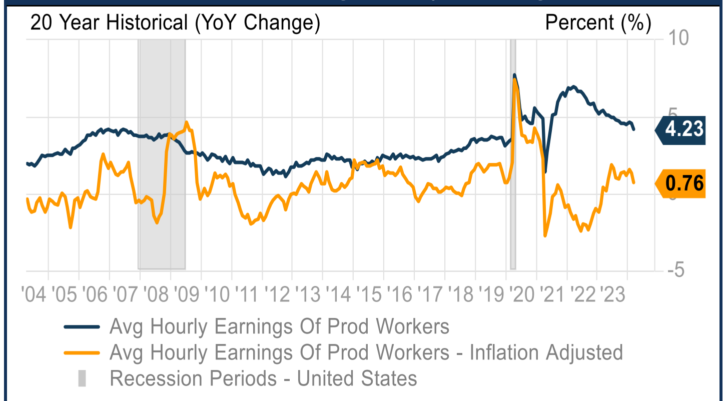
As previously mentioned, March saw robust employment figures, with upward revisions for prior months. The unemployment rate dipped to 3.8%, while labor force participation nudged up to 62.7% from 62.5%. Additionally, business labor demand strengthened, with the average workweek extending to 34.4 hours. This robust employment scenario likely contributed to stronger consumer sentiment (**Table 7).**

Table 7: Nonfarm Employment

Source: JPM, BLS

Average hourly earnings increased by a standard 0.3% last month, with the year-ago figure moderating to 4.2%, marking a cycle low. This easing in wage inflation, coupled with solid job growth, reflects improved labor market supply. Despite favorable supply-side trends aligning with Powell's optimistic outlook, the absence of significant demand-side issues reduces the urgency for policy easing, which the market has recently picked up on. Inflation adjusted earnings is still positive, which bodes well for the economic outlook (**Table 8).**

Table 8: US Growth in Avg Hourly Earnings

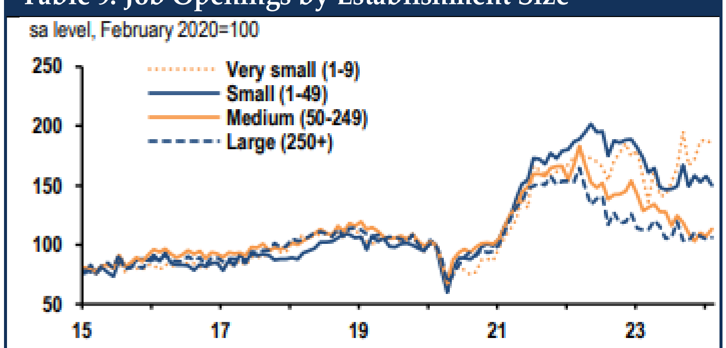


Source: FactSet, Sierra Capital

JOLTS (Job Openings and Labor Turnover Survey) data, although lagging, mirrors recent jobs reports, indicating sustained labor demand and decreased supply-demand imbalances compared to two years ago. Jobless claims filings also suggest low layoffs, despite a slight increase in initial claims in the latest report after a relatively stable period.

As JPMorgan points out, job openings have held steady around 8.8 million since October 2023, following a gradual 30% decline over two years from March 2022. This stability reflects an adjustment to balance labor supply and demand. Small-size establishments, especially those with fewer than 50 workers, have notably sustained high job openings throughout the recovery. This trend continues into early this year, with very small-size establishments (1-9 workers) showing increased job openings compared to a year ago, likely driven by new business formation, while larger and more mature enterprises are tightening employment. Layoffs, for all sizes, however, are trending below pre-pandemic levels (**Table 9**)

Table 9: Job Openings by Establishment Size



Source: BLS, JPM

Monetary Policy

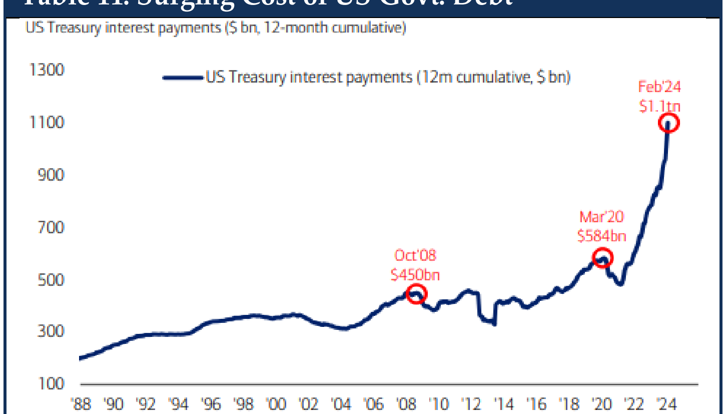
So, while the economy seems to be in a strong position so far in 2024, many questions around inflation, jobs, and the general economy are still being asked. As we have discussed before, higher rates and reduction of the Fed balance sheet are the key tools the Fed is utilizing to fight inflation. This has caused large swings in valuations across asset classes from Technology and Real Estate to Watches and Collectables. Interestingly, the Financial Conditions Index has hit 2-year lows without the Federal Reserve cutting rates or buying bonds, which could partially explain the sharp outperformance in risk assets and uptick in inflation thus far in 2024. (**Table 10**)

Table 10: Financial Conditions Index

Source: GS

So why is the market expecting the Federal Reserve to cut rates even as Financial Conditions are loose, employment remains strong, and inflation is not yet tamed? One explanation would be that the tight Financial Conditions have yet to flow through to the economy fully and lag, thus a slowdown is still probable in the near future. Another could be that the Fed needs to tame costs to ease the surging US government debt brought by Fiscal spending and high interest costs. In fact, the interest on US government debt over the last 12 months totaled $1.1trn, double the amount during COVID. At the same time, government spending is up 9% YoY and debt is set to increase $1 trillion every 100 days at current rates. (**Table 11**)

Table 11: Surging Cost of US Govt. Debt



Source: BAML

Our take, however, is that inflation is indeed not yet tamed. This can be seen in the commodity complex where all commodities have rallied year to date. Our base case for oil, for example, assumes a soft landing and no major geopolitical escalation where oil can stay below $100/bbl in the near term, given solid demand and OPEC+ increasing production in Q2. However, if geopolitical tensions continue to escalate, Brent could surpass $100/bbl. The recent 16% rally in Brent crude since the year began has raised these inflation concerns, driven by strong demand and supply risks.

Upward revisions in 2024 oil demand forecasts by the IEA, robust global economic data, and improved investor sentiment have all fueled demand expectations higher. Increased geopolitical tensions in the Middle East and attacks on Russian refineries have also only heightened the geopolitical risk premium in oil prices.(**Table 12**)

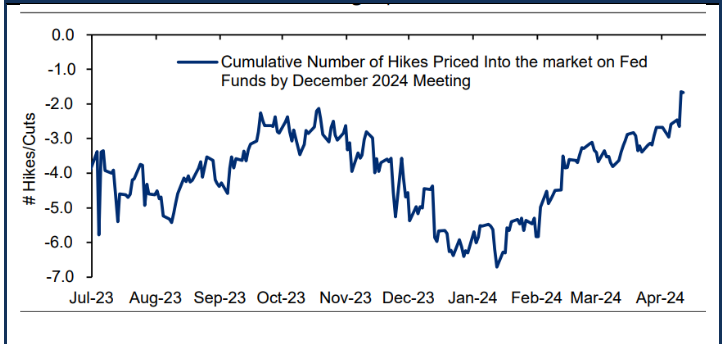
Table 12: Crude Oil Price and Key Events

Source: Haver, Citi, As of April 12th

As for other commodities such as Metals & Mining, they stand to benefit from growth in demand generally and in the needs of infrastructure for things such as AI. This can be seen in the 10% increase in the Industrial Metals index over the past three months. We anticipate continued strong performance in industrial metals and commodities due to a cyclical recovery in global manufacturing and demand, driven by decarbonization and energy independence trends.

In all, large components of CPI continue to normalize while some other factors continue to cause noise. The recent hot misses in inflation have likely helped reset economist expectations for April and perhaps beyond, but this is unlikely to change near term policy. However, rhetoric is likely to be more hawkish as recent data has not given Powell the all clear he needs to cut rates and ease policy. We all know that financial markets shift between optimism and pessimism, and at times this is fairly rapid. This has been present in short-term US Treasury yields, with rate cut expectations shifting from 2 cuts in 2023 to 7 in early 2024, and now back to 2 cuts expected to start in July. (**Table 13)**

Table 13: Fed Easing Expectation Movement



Source: Bloomberg, Citi

Equities

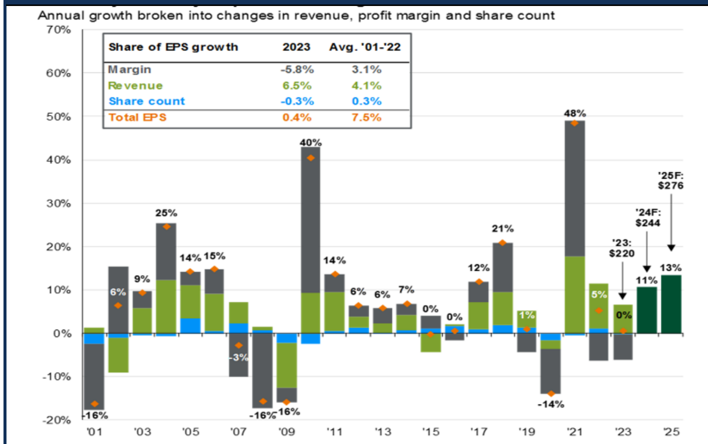
Following a strong performance in 2023, U.S. equities have sustained their upward trajectory in the early months of 2024. Notably, robust corporate earnings and expectations of policy adjustments have led to numerous record-breaking market highs with the S&P up +10% and S&P Growth up +12% year to date. (**Table 14**)

Table 14: S&P 500 Index Price Chart

Source: CNBC

While 2024 profits may grow well, there are risks to analyst expectations for double-digit earnings growth. As we step into earning season following the release of JPM, Citi, and other banks, downbeat remarks from management teams suggest tougher times ahead, with revenue growth becoming harder due to slowing consumer demand and disinflation. However, after the dominance of the Magnificent 7 companies in driving earnings growth in 2023, profit leadership should expand this year. (**Table 15**)

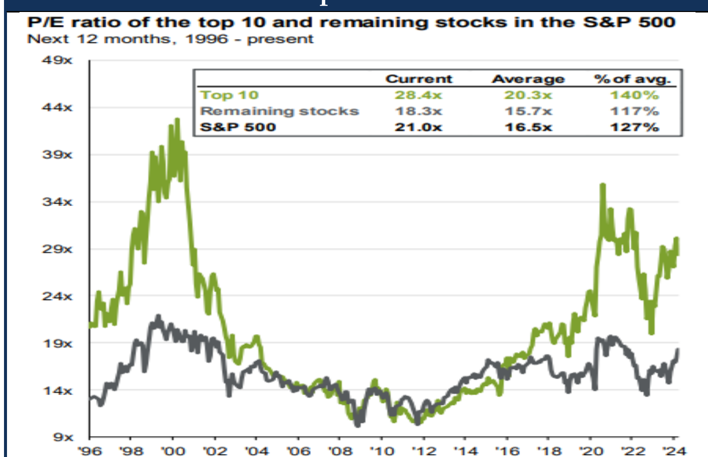
Table 14: S&P 500 Year over Year Pro-Forma EPS



Source: JPM

However, market dynamics have remained concentrated, with the largest stocks in the index maintaining their dominance. While valuations may appear elevated, there remain ample attractive investment opportunities beyond this subset of Mega Cap stocks, as we can see with the relative discount in the non-top 10 stocks. (**Table 15**)

Table 15: P/E Ratio of Top 10 Stocks in S&P



Source: Bloomberg, JPM

Valuations outside of the United States also look less stretched, however this is slightly exaggerated by the heavy weight China has on the Emerging Market index and their underperformance over the last 12 months. Excluding China, however, developed markets like Europe are trading at a small discount to historical valuations in relation to their Earnings and Growth expectations. And while the S&P 500 index trades at a 21% premium to its 10-year median, the ACWI (All Country World Index) is only at a 3% premium making it prudent to look outside of the US market cap weighted benchmark to diversify for long term returns. (**Table 16**)

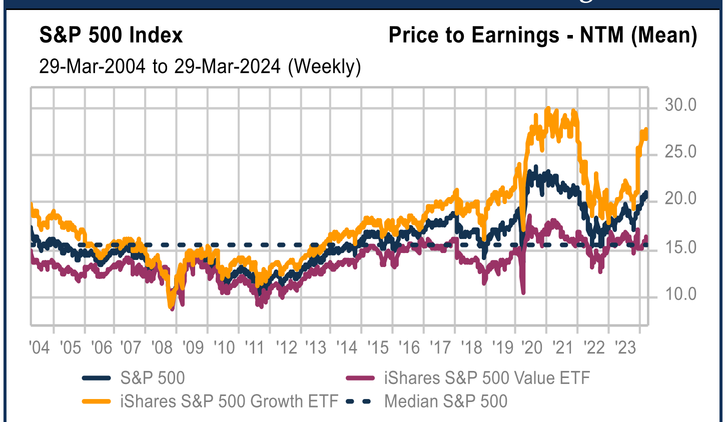
Table 16: Next Twelve Months Price to Earnings Ratio

NTM Price/Earnings	Current	10Yr Median	Delta %
MSCI ACWI exUS	13.7	13.3	3%
iShares Nikkei 225	20.9	17.0	23%
iShares Europe	13.8	14.2	-3%
MSCI AIPC exJapan	14.9	15.2	-2%
MSCI Emerging Markets	12.1	12.0	1%
Average	15.1	14.4	5%

Source: Sierra Capital, FactSet

Even within the United States, however, discounts remain. If economic growth continues throughout 2024 and a no-landing / soft-landing scenario is manufactured, outperformance in the rest of the index will likely occur as the market edges higher given the top 10 names look to be pricey, particularly given they represent 1/3rd of the index but only 1/4th of its earnings. Equal weighted index, value tilts, midcaps, and small caps carry a much lower premium than large cap growth. (**Table 17**)

Table 17: Next Twelve Months Price to Earnings Ratio

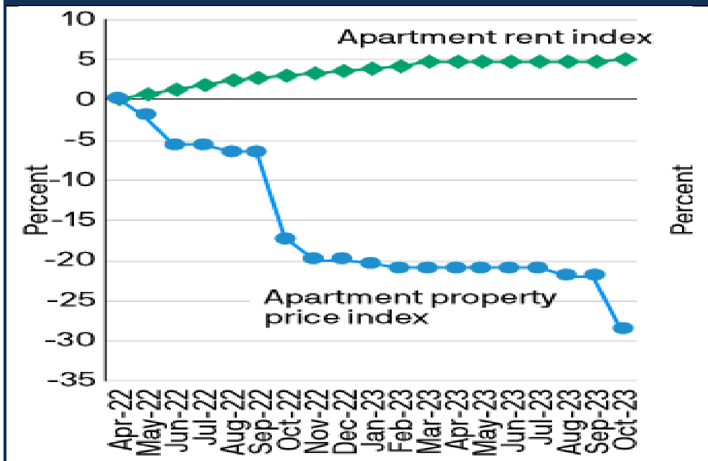


Source: Sierra Capital, FactSet

Alternatives

Beyond listed equities, other asset classes are showing signs of strong long-term potential and attractive entries. One of these assets is Real Estate. While the subsectors of real-estate vary widely in regard to market dynamics and outlooks, the pricing action has been somewhat similar across the asset class. For example, office demand is significantly lower than pre-Covid and prices have come down on average 32%. At the same time, multi-family prices are lower on average by 29% from their peak while rents are 5% higher and vacancies are lower. While there are new units coming online from construction projects that started 1-3 years ago, the price action is largely due to low volume and higher rates (**Table 18).**

Table 18: Rental Apartment Trend



Source: JPM

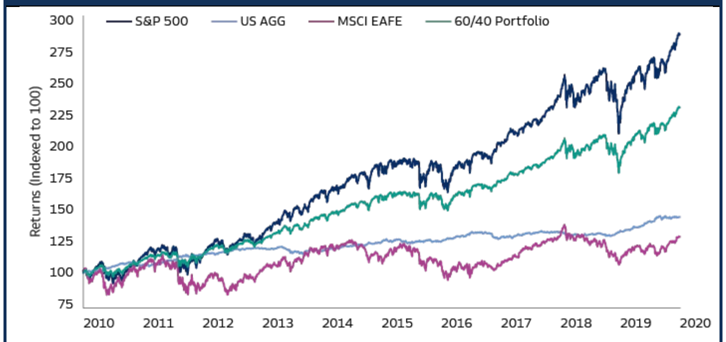
Credit also looks to be an interesting place for capital in 2024 as banks remain constrained due to issues with their real estate portfolios, regulations, and slow deposit gathering. Bank lending is likely now highly focused on the total relationship which creates opportunities for non-bank lenders to originate all types of structured investments from real estate, middle market, to aviation and more. Similar to the Real Estate thesis, borrowers will also need to refinance legacy loans (term loans, construction loans, or general asset level debt) which should drive origination volume and opportunities into 2024 and beyond. While the capital structure of the asset may be impaired, new capital structures and therefore investment is needed to cure the balance sheet, and this will be done with fresh underwriting that reduces credit risk. (**Table 19**)

Table 19: Lending Proceeds Used for Refinancing

Source: BAML, Carlyle

In conclusion, US equities have been a top choice for many investors since 2008, benefiting from low and falling rates, strong economic growth, and attractive valuations. US stocks, particularly transformative tech companies, led this outperformance. This growth-oriented trend, along with the acronym TINA (There is No Alternative) to equities, emphasized the dominance of US stocks. However, as we enter a new economic cycle with increased growth volatility, higher rates, and persistent market volatility, This evolution has paved the way for alternatives that can potentially outperform from here and spans various asset classes, including fixed income and private markets.

Table 20: US Equities Outperformance



Source: GS As of March 31st, 2024

Additionally, equal-weighted indices and non-US markets also appear favorable compared to US growth stocks, signaling potential for outperformance. As investors navigate the dynamic landscape, exploring these alternatives alongside traditional equities could prove prudent for long-term portfolio growth and stability.

Prepared by:
Zev Zaretsky
Director of Investments
zev.zeretsky@sierracap.com

Sierra Capital Partners
www.sierracap.com
600 Brickell Ave 20th Floor, Miami, Florida 33131
p. 212-867-3537 Sierracapital@Sierracap.com

Disclaimers:

Past performance is no guarantee of future results. The allocation may suffer a loss of income and principal in the future. The views expressed in this document are subject to change at any time without notice. The represented data is un-audited and has been obtained by sources believed to be reliable. This report is not an offer to sell or buy securities. The performance data quoted represents past performance. Current performance may be higher or lower than the performance data quoted. **Performance Reporting:** This information is provided as accommodation to you at your request. It may not be accurate, complete, or current. It is not a substitute for statements / reports provided in the ordinary course of business by the responsible entity or branch and should not be relied on as such. **Firm Brochure and Form CRS:** Sierra Capital would like to make an offer to provide you with a copy of our Firm Brochure and Form CRS registered under the SEC. If you are interested in receiving a copy, please respond in writing. **Privacy Policy:** Sierra Capital's primary client goal is to protect your privacy. Sierra Capital will internally safeguard your nonpublic personal information by restricting access to only the employees who provide products or services to you or those who need access to your information to service your account. In addition, we will maintain physical, electronic and procedural safeguards that meet Federal and/or state standards to guard your non-public personal information. **Risk:** Please remember that all investments carry some level of risk, including the potential loss of Principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns. **IRS Circular 230 Disclosure**: Sierra Capital LLC and its affiliates do not provide tax, legal or accounting advice. Accordingly, any discussion of tax matters contained herein (including any attachments) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone unaffiliated with Sierra Capital LLC of any of the matters addressed herein or for the purpose of avoiding tax-related penalties. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction. The simulated historical performance, if any, assumes that the asset allocations were in place and remained fixed over the periods indicated. Simulated historical performances are calculated by assigning a relevant index to each asset class in the allocation, blending the performance of those indices according to the allocation percentages, and assuming quarterly balancing over the time period shown. The performance shown reflects realized and unrealized appreciation and the re-investment of capital gains, dividends, and interest income. The performance shown is based on index returns and thus does not reflect the deduction of transactions costs, taxes, custodian costs or management fees that would lower the performance of an actual account. It also does not reflect factors that would affect the management of actual accounts, such as the timing of trades, liquidity constraints, cash balances, the timing of depositing and withdrawals, and other factors that impact decision making. The performance does not represent the performance of any actual accounts. Although certain of your accounts as of a specified date may have been used to construct the percentages for a current allocation, if shown, the performance was constructed using the performance of representative indices, not using the actual performance of your accounts for any time period. In addition, your asset allocation likely varied over the time period shown, unlike the simulated historical performance which assumes a fixed asset allocation, rebalanced quarterly. Because the asset allocations and the time periods used were selected with the benefit of hindsight, the performance does not reflect the results of recommendations that Sierra Capital made to clients during the time periods shown. The recommendations made by Sierra Capital and the performance of our clients over the time periods shown deviated, sometimes substantially, from the simulated historical performance. In reviewing this material, please understand that all references to expected return are not promises, or even estimates, of actual returns one may achieve. The assumptions are not based on specific products and do not reflect fees, such as investment management fees, oversight fees, transaction costs or other expenses that could reduce return. Investors cannot invest directly in an index. Unmanaged indexes do not reflect management fees and transaction costs that are associated with some investments. Non-U.S. markets entail different risks than those typically associated with U.S. markets, including currency fluctuations, political and economic instability, accounting changes, and foreign taxation. Securities may be less liquid and more volatile. Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and to political systems which can be expected to have less stability than those of more developed countries. Securities may be less liquid and more volatile than U.S. and longer-established non-U.S. markets. Bond investors should consider risks such as interest rate, credit, repurchase and reverse repurchase transaction risks. Greater risk, such as increased volatility, limited liquidity, prepayment, non-payment and increased default risk, is inherent in portfolios that invest in high yield ("junk") bonds or mortgage-backed securities, especially mortgage-backed securities with exposure to sub-prime mortgages. Investment in non-U.S. and emerging market securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries. Small capitalization (small cap) investments involve stocks of companies with smaller levels of market capitalization (generally less than $2 billion). Small cap investments are subject to considerable price fluctuations and are more volatile than large company stocks. Investors should consider the additional risks involved in small cap investments. Large capitalization (large cap) investments involve stocks of companies generally having a market capitalization between $10 billion and $200 billion. The value of securities will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions.

Disclaimers - Definitions:

Dow Jones Industrial Average (DJIA): is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities. The DJIA was designed to serve as a proxy for the health of the broader U.S. economy.

EURO STOXX 50: Index composed of 50 stocks from countries in the Eurozone. EURO STOXX 50 represents Eurozone blue-chip companies considered as leaders in their respective sectors. The index represents the performance of the 50 largest companies among 20 sectors in terms of free-float market cap in Eurozone countries. The index captures about 60% of the free-float market cap of the EURO STOXX Total Market Index (TMI).

MSCI (Morgan Stanley Capital International) Europe (USD): Index captures large and mid-cap representation across 15 Developed Markets countries in Europe: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, an d the UK. The index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

MSCI AC (All Country) Europe: Index that captures large and mid-cap representation across 15 Developed Markets countries and 5 Emerging Markets countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI AC Asia ex Japan: Index that captures large and mid-cap representation across Developed Markets (Hong Kong and Singapore) countries (excluding Japan) and Emerging Markets (China, India, Indonesia, Korea, Malaysia, the Philippines, Taiwan, and Thailand) countries in Asia. Th e index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI AC World: Broad global equity index that represents large and mid-cap equity performance across 23 developed and 24 emerging markets. The index covers approximately 85% of the global investable equity opportunity set.

MSCI Emerging Markets (USD): Index designed to track the financial performance of key companies in fast-growing nations. The index tracks mid-cap and large-cap stocks in Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets: Index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Japan (USD): Index designed to measure the performance of the large and mid-cap segments of the Japanese market. The index covers approximately 85% of the free float-adjusted market capitalization in Japan.

MSCI World: Cap-weighted stock market index of companies throughout the world. It is used as a common benchmark for 'world' or 'global' stock funds intended to represent a broad cross-section of global markets. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

NASDAQ (National Association of Securities Dealers Automated Quotations): Index of more than 3,700 stocks listed on the Nasdaq stock exchange, weighted by market capitalization. The technology sector accounts for just over half the index, more than three times the index weight of any other market sector.

Nikkei 225: a price-weighted equity index for the Tokyo Stock Exchange. The Nikkei measures the performance of 225 large, publicly owned companies in Japan from a wide array of industry sectors.

Russell 2000 Growth: index composed of small-capitalization U.S. equities of the Russell 2000 Growth Index that exhibit growth characteristics.

Russell 2000 Value: index composed of small-capitalization U.S. equities of the Russell 2000 Growth Index that exhibit value characteristics.

Russell 2000: Small-cap stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index, a capitalization-weighted stock market index that seeks to be a benchmark of the entire U.S stock market. The Russell 2000 is commonly used as a small-cap proxy.

S&P 500 Growth: is a market-cap-weighted index comprised of growth stocks within the S&P 500 Index based on three factors: sales growth, the ratio of earnings change to price, and momentum.

S&P 500 Index: The S&P 500 is a stock market index tracking the performance of 500 large companies listed on stock exchanges in the United States. It is market-capitalization weighted and is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 U.S. leading companies and captures approximately 80% coverage of available market capitalization.

S&P 500 Value: is a market-cap-weighted index comprised of value stocks within the S&P 500 Index based on three factors: book/price ratio, earnings/price ra tio, and sales/price ratio.

S&P/BMV Indice de Precios y Cotizaciones (Mexico IPC): Index seeks to measure the performance of the largest and most liquid stocks listed on the Bolsa Mexicana de Valores (BMV). The constituents are weighted by modified market cap subject to diversification requirements.

Shanghai Composite: Market capitalization-weighted index that reflects the performance of the whole Shanghai securities market, including all listed A shares and B sha res stocks on the Shanghai Stock Exchange (SSE).

Bloomberg Emerging Markets USD Aggregate - High Yield: Index that measures the USD-denominated, high yield, fixed-rate corporate bond market of key companies in fast-growing nations (EM issuers).

Bloomberg Emerging Markets USD Aggregate: Flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers.

Bloomberg Global Aggregate Index: The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt in local currency. This multi-currency benchmark includes treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Global High Yield: Multi-currency flagship measure of the global high-yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices.

Bloomberg US Aggregate Bond Index: The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market in the United States. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency)

Bloomberg US High Yield - Corporate: Index that measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

Bloomberg US Treasury Bills 1-3 Month Index: The Bloomberg US Treasury Bills 1-3 Month Index is designed to measure the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months.

JPM EMBI Global Diversified: Unmanaged, market-capitalization weighted, total-return index tracking the traded market for U.S.-dollar-denominated Brady bonds, Eurobonds, traded loans, and local market debt instruments issued by sovereign and quasi-sovereign entities.

S&P U.S. TIPS (TIPS): Treasury Inflation-Protected Securities (TIPS) Index seeks to measure the performance of the U.S. TIPS Market. TIPS are treasury bonds that are indexed to an inflationary gauge to protect investors from the decline in the purchasing power of their money.

Credit Suisse Hedge Fund Index – Event Driven: Asset-weighted index composed of hedge funds with an event-driven strategy. Event-driven **i**s a hedge fund investment strategy that seeks to exploit pricing inefficiencies that may occur before or after a corporate event, such as an earnings call, bankruptcy, merger, acquisition, or spinoff.

Credit Suisse Hedge Fund Index – Global Macro: Asset-weighted index composed of hedge funds with global macro strategy. A global macro strategy is a hedge fund strategy that bases its holdings primarily on the overall economic and political views of various countries or their macroeconomic principles. Holdings may include long and short positions in various equity, fixed-income, currency, commodities, and futures markets.

Credit Suisse Hedge Fund Index – Long/Short Equity: Asset-weighted index composed of hedge funds with a long/short strategy. Long/short funds use an investment strategy that seeks to take a long position in underpriced stocks while selling short, overpriced shares. Long/short seeks to augment traditional long-only investing by taking advantage of profit opportunities from securities identified as both under-valued and over-valued.

Credit Suisse Hedge Fund Index – Multi/ Strategy: Asset-weighted index composed of hedge funds with a multi-strategy. Multi-strategy hedge funds are the most diverse portfolios in the hedge fund universe. Multi-strategies combine different single hedge fund strategies in one portfolio and differentiate considerably from each other. Most often, such portfolios include a variety of long-short, relative value, and event-driven strategies.

Credit Suisse Hedge Fund Index: Asset-weighted hedge fund index that includes open and closed funds. Seeks to measure hedge fund performance and provide the most accurate representation of the hedge fund universe.

HFRI Fund of Funds Composite: The Hedge Fund Research Indices Fund of Funds is an index comprised of funds that invest with multiple managers through funds or managed accounts. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager. The Fund of Funds manager has discretion in choosing which strategies to invest in for the portfolio.

S&P Goldman Sachs Commodity Index: Commodities index that tracks the performance of the global commodities market. It is made up of exchange-traded futures contracts that cover physical commodities spanning five sectors: energy products, industrial metals, agricultural products, livestock products and precious metals.

West Texas Intermediate (WTI) Crude Oil NYMEX Near Term ($/bbl) (WTI Crude): Price of light, sweet, landlocked crude oil that serves as one of the main global oil benchmarks. It is sourced primarily from inland Texas and is useful for pricing any oil produce in the United States, primarily from the Permian Basin.

Crude Oil Brent Global Spot ICE ($/bbl) (Brent Crude): Price of waterborne crude oil based on a basket of North Sea crudes. The brent crude oil blend extracted from the North Sea, comprises Brent Blend, Forties Blend, Oseberg, Ekofisk, and Troll crudes, commonly referred to as BFOET.

Gold Spot: The purchase price of a single troy ounce of the metal (gold) for immediate delivery, as opposed to a date in the future.

Silver Spot: The purchase price of a single troy ounce of the metal (silver) for immediate delivery, as opposed to a date in the future.

British pound (GBP) /Dollar (USD): Current exchange rate of the British Pound (GBP) to US Dollar (USD)

Dollar (USD)/ Mexican Pesos (MXN): Current exchange rate of US Dollar (USD) to Mexican Pesos

Dollar (USD)/Japanese Yen (JPY): Current exchange rate of Dollar (USD) to Japanese Yen (JPY)

Dollar (USD)/Swiss Franc (CHF): Current exchange rate Dollar (USD) to Swiss Franc (CHF)

Euro (EUR)/Dollar (USD): Current exchange rate of Euro (EUR) to US Dollar (USD)

Earnings per share (EPS): Monetary value of earnings per outstanding share of common stock for a company. It is a key measure of corporate profitability and is commonly used to price stocks.