U.S. Bank Private Wealth Management

3Q investment outlook: 2019's second act begins to unfold

Quarterly outlook

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Executive summary

2019 has been favorable for investors thus far. 2018 ended with cash as the best-performing major asset category due to a significant swoon in global equities. Investors sold riskier asset classes to express concerns about central banks, most notably the United States' Federal Reserve (Fed), deepening commitments to raising interest rates. However, thanks to a weakening global economic trajectory emerging across the globe late last year and into this year, the Fed began an about-face and is expected to lower interest rates later this year.

In addition to central bank policy, trade policy is a key investor focus. As we draft this piece, China and the United States have not resolved their tariff disputes, the United Kingdom remains ensnared in Brexit discussions and an unclear leadership path, and the United States-Canada-Mexico agreement to replace the North American Free Trade Agreement (NAFTA) has yet to be ratified. Further, the deeper we get into 2019 and 2020, the more politics will likely come into focus.

We continue to advocate a "balanced" approach within client portfolios and respect the range of outcomes the back half of 2019 could deliver. Anticipating central bank and trade policy outcomes is a challenging exercise, but we can gauge the intersection of investor psyche and fundamentals with great confidence. We expect global economic weakness to persist as we get deeper into this year, especially given the comparison period of this time last year when corporate profits were considerably more robust. Inflation, the economy's kinetic energy, remains low, providing central banks with cover for pro-growth policies should growth dampen further.

Given how "narrow" investment returns have been since global equities bottomed in March 2009, investors have not had to be overly diversified. However, we anticipate that phenomenon will change and we encourage investors to hold "intentional" exposures in the form of high-quality equities, bonds that act like bonds and exposure to diversifying return streams that look nothing like stocks and bonds. In the commentary that follows, we will provide you with economic and asset class views. As always, please do not hesitate to speak with us should you have further questions.

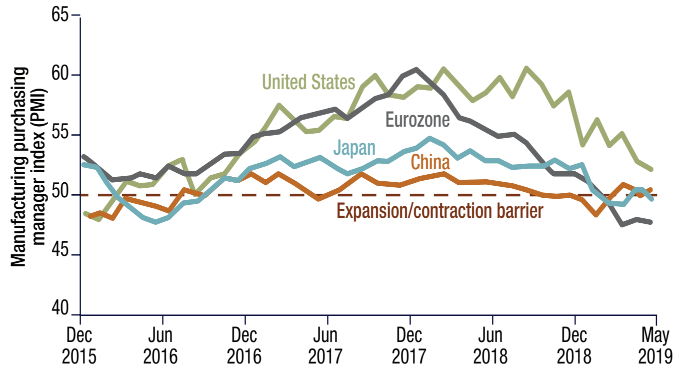
Global economic views

United States resynchronizes with slower global growth though recession risks remain low.

First quarter U.S. gross domestic product (GDP) growth diverged positively from the rest of the world, but second quarter economic data points have softened, increasing our conviction of a 2019 slowdown from growth averaging in 2018. Contributing factors include tensions with global trade partners, continued runoff of the Fed's balance sheet through September of this year and more difficult growth comparisons in both GDP and corporate earnings brought about by the 2018 tax cuts. Despite expected slower growth, we believe a recession is unlikely, though we are closely monitoring indicators like the decline of longer term interest rates below short-term or cash interest rates (which often coincides with a recession in a few quarters) and tepid manufacturing purchasing managers indexes (PMIs).

- Inflation has remained below target while the uptrend in wage growth has tapered off, giving the Fed room to shift to more pro-growth monetary (level of interest rates) policy as currently anticipated by the market, which would support growth next year.
- Fiscal policy in the United States has been modestly accommodative so far this year while financial conditions have been simulative, but uncertainty around trade policy is likely to weigh on investor and business sentiment.
- A strong domestic labor market and healthy U.S. consumer continue to support the expansion and make sharply below-trend growth unlikely.

United States growth has re-synchronized in a downtrend



Source: U.S. Bank Asset Management Group analysis, FactSet Research Systems. Data period: 12/31/2015-5/31/2019.

A "muddle-through" scenario is likely to continue for foreign developed economic growth.

Growth trends have mostly flattened out in Europe and Japan after strongly negative trends at the end of 2018 and into the first quarter of 2019. However, the levels of growth remain low with Japan and individual European nations flirting with recession over the past few quarters. Political risks, slowing global trade and the end of quantitative easing (QE) in the eurozone have contributed to the slowdown, though monetary stimulus, this time in the form of inexpensive loans to European banks to encourage additional lending should support growth going forward. The persistently below-target inflation in both areas should allow for continued fiscal and monetary support from governments.

China well-positioned for recovery – though trade concerns currently outweighing reasons for optimism.

China stimulus and easier growth comparisons have so far done little to rekindle growth as escalating trade uncertainties have contributed to the slowdown. Other large emerging market economies, such as South

Korea, Russia and Brazil, slowed substantially in the first quarter, though expected dovish shifts by the Fed and European Central Bank (ECB) should aid stabilization. An end to United States-China trade volleys would remove a major overhang for China and global trade growth.

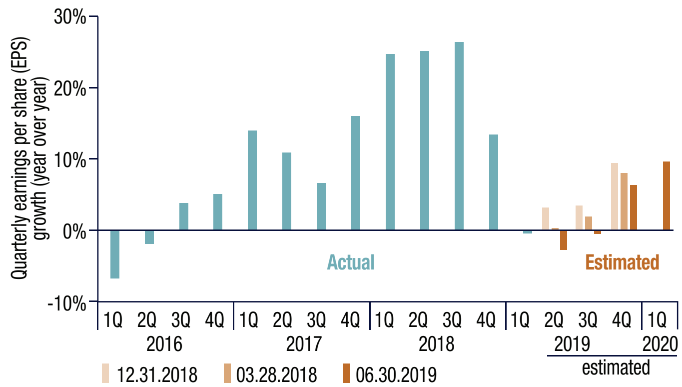
Equity markets

U.S. equity performance in the first half of 2019 has been remarkably resilient amid lingering trade tensions and concerns of a looming profits recession.

Despite trade policy uncertainties, rising tariffs and questions of rising regulation, the S&P 500 closed June 30 at 2,941, up 17.3 percent year to date and fractionally off all-time highs of 2,954 reached on June 20 of this year. By many metrics, results far exceeded expectations resulting in a favorable midyear equity report card.

- The S&P 500 is up 17.3 percent year to date (as of June 30).
- All sectors are posting positive returns, with 10 of 11 sectors up 11 percent or more.
- Performance is being led by both growth and defensive sectors, with Information Technology, Consumer Discretionary and Industrials posting the highest returns, each up 20 percent or more.
- Healthcare is the worst-performing so far in 2019, advancing a respectable yet more modest 7.1 percent. "Medicare for All" discussions and ongoing election-related drug pricing focus have been overhangs for the sector.

S&P 500 earnings per share growth



Source: FactSet Research Systems. Data June 30, 2019.
EPS growth: Earnings per share growth is defined as the percentage change in normalized earnings per share over the previous 12-month period to the latest year-end. It gives a good picture of the rate at which a company has grown its profitability.

Looking forward, fundamentals remain supportive of higher equity prices over time, but we must respect the potential for economic weakness to seep into corporate earnings over the next few quarters.

Sales, margin and earnings trends are being bolstered by non-problematic inflation and a generally dovish Fed, which, in aggregate, are helping fuel a risk-on bias. Fears of overly optimistic earnings estimates for the third and fourth quarters are among factors tempering near-term enthusiasm.

- Revenue growth projections for the S&P 500 is estimated to advance in the 4 percent to 6 percent range year over year for 2019 and 2020. This mid-single-digit revenue growth is supportive of equity prices and an overall risk-on bias.
- Profit margins for the S&P 500, on balance, are holding up leading into the third quarter, with limited evidence of widespread margin deterioration. Rising labor costs, in conjunction with overall lack of demand, are among factors most heavily weighing on margins.

- Consensus earnings estimates for 2019 remain mostly within the $165 to $170 per share range, although the visibility of earnings for 2019 is lacking due to lingering trade concerns and slow pace of global economic growth. The implications of the trade war are unknown. At a minimum, with earnings estimates being back-half of year loaded, the bias seems to be down. This elevates the importance of the second and third quarter reporting periods and forward guidance, beginning in mid-July.

Investor sentiment is mixed, positively influenced by broad-based sector performance and fair valuations while being negatively impacted by lingering trade tensions.

Superb and broad-based year-to-date performance, along with valuations being near-historical average levels, seem indicative of generally favorable macro and fundamental trends and supportive of a risk-on bias. Volatility appears poised to trend higher in the second half of the year amid trade and tariff policy-related headlines, which may lead to a bumpier ride ahead and weigh on investor sentiment.

- The S&P 500 reached midyear with all sectors in positive territory, and 10 of 11 sectors up 11 percent or greater, as previously noted. This broad-based participation is typically indicative of economic strength and a market that is poised to trend higher. Interestingly, both growth/cyclical- and defensive-oriented sectors are posting favorable results, perhaps a reflection of trade-related uncertainty, including lack of clarity into which sectors are affected the most.
- Broad market valuations are trending within a "zone of okay." The S&P 500 is beginning the second half of the year trading at roughly 19 times trailing 12-month estimates, modestly above the 40-year average but clearly not at high nor low extremes.
- Conditions that impact corporate profitability and valuation multiples are changing, which are likely to weigh on investor sentiment while stoking future volatility. The willingness to impose tariffs on goods from countries (such as Mexico) not tied to trade, as was discussed in mid-June, injects a new level of uncertainty into the market while making them more random and risky. Recent economic weakness trends, both home and abroad, renders back-half 2019 earnings estimates vulnerable. And President Trump (and Washington in general) appears less business-friendly now that federal investigators are looking to investigate the competitive practices of big technology companies.

We retain a neutral outlook for foreign developed equities through 2019 as risks and opportunities continue to look reasonably balanced.

Overcoming trade and Brexit-related policy uncertainty, foreign equities (as measured by the MSCI EAFE Index) have posted strong returns so far in 2019, with a year-to-date gain of more than 11.5 percent for U.S.-based investors. Positive equity returns have been broad based, led by Australia, the eurozone, and the United Kingdom, while returns from Japan have been positive but more muted. Growth-oriented equities continue to outperform value this year in foreign developed markets, supported by low inflation, modest economic growth, and strongly accommodative central banks. The headwind of a rising dollar for U.S.-based investors has receded in 2019 and has had little detrimental impact on returns.

Despite the strong year-to-date performance, valuation of foreign developed equities remains below long-term historical averages. Meanwhile, corporate profits for the full calendar year are estimated to grow by more than 11 percent over 2018 levels, a notable improvement on the 4.5 percent growth in 2018. In our view, strong profit growth combined with a 3.6 percent dividend yield and modest valuation continues to provide a solid base for foreign developed equity prices to move higher in 2019. Regarding policy, the ECB and Bank of Japan (BoJ) remain firmly committed to providing monetary stimulus throughout 2019, which is supportive for equity prices, while Australia became the first major central bank in some time to cut interest rates. Finally, China remains a significant trade partner for Europe, Japan and Australia. A potential stabilization in China's economy due to efforts by authorities to stimulate growth there would benefit the economies of foreign developed markets.

Tempering our positive outlook, economic momentum across the foreign developed economies of Europe and Japan remains sluggish and stuck in neutral. The "green shoots" we see in some of the French data is offset by weakness in Germany's manufacturing sector while Japanese economic momentum continues to slow, based on our analysis of a broad range of macroeconomic indicators. Trade policy remains a risk, whether United States-China or United States-European Union, foreign developed economies have a high degree of dependence on foreign trade. Corporate profit growth for 2019 is concentrated in the fourth quarter and given the "wedge" between those optimistic estimates and continued sluggishness in economic data, we view those estimates with some caution as we approach the year's halfway point. Finally, valuation relative to the S&P 500 remains extremely low, reflecting stronger investor confidence in the U.S. economic and corporate profit outlook.

Balancing a strong profit growth outlook, supportive dividend yield and modest valuation against continued softening macroeconomic data, worsening economic outlook and technical resistance, we maintain a neutral outlook on foreign developed equities in 2019.

Similarly, we continue to view opportunities and risks in emerging markets as also fairly balanced as we look to the second half of 2019 and retain our neutral stance.

Escalation of tariffs and increasing pessimism of a trade deal between the world's largest economies pressured emerging market equities (as measured by the MSCI Emerging Market Index) after strong first quarter performance, bringing year-to-date gains to a still-positive but more modest 5.6 percent. Worries about trade-related impact on the global economy and spillover effect to emerging economies have overcome the further shift in U.S. Fed policy from patient toward increasing odds of potential interest rate cuts in 2019, which would normally boost riskier assets like emerging market equities.

Corporate sales and profit growth in emerging markets in 2019 are now expected to decline relative to year-ago levels. This further clouds our outlook for emerging market equities. Additionally, a large portion of the earnings recovery in emerging markets remains concentrated in the optimistic fourth quarter estimates, which, again, we view with some caution given uncertainty in the global economy and key policy outcomes regarding United States-China trade negotiations that remain unknown. Valuation indications are mixed and, with some measures pointing to modestly higher-than-average valuation while others to modestly lower.

China's policymakers have already enacted a variety of measures to stimulate their economy, including monetary easing, middle-class tax cuts and regulatory reforms, and the central bank has indicated it still has "tremendous" policy options to further stoke local demand. Following Australia's rate cut, central banks in India and Chile also followed with interest rate cuts of their own as emerging market monetary policy shifts to a more accommodative posture. However, the key policy outcome for emerging markets in 2019 remains the ongoing trade negotiations between the United States and China. As of press time, we have little clarity regarding ongoing negotiation, and we view headline-induced market volatility as "noise" with little informational content, what we refer to as an "edgeless phenomenon."

Considering likely U.S. rate cuts, further Chinese policy stimulus and other accommodative monetary conditions across emerging economies, with uncertainty regarding United States-China outcomes, absent sales and profit growth and average valuation levels, we view risks and opportunities as balanced and maintain our neutral outlook for emerging market equities for the remainder of 2019.

Fixed income markets

Markets are pricing in aggressive Fed rate cuts, which we see as directionally accurate.

Bond market returns have been very strong in the second quarter while U.S. Treasury bond yields plummeted due to trade, growth and inflation concerns. Yields remain quite low by historical standards. Growing trade tensions drove volatility in risk assets. Interest rate markets are now pricing in multiple interest rate cuts, with the first cut expected at the Fed's July meeting. Commentary from Fed members indicates an increasing willingness to consider rate cuts. Falling inflation expectations has contributed to rising odds of a lower policy rate. We continue to emphasize that high quality bonds should form the primary share of fixed income allocations to provide adequate diversification.

Below-normal yields may indicate less-rosy returns are on the way for bonds

Index	Yield	15 year percentile	Total return 1 year	Total return YTD 2019*
U.S. aggregate bonds	2.49%	35%	7.9%	6.1%
U.S. Treasuries	1.92%	47%	7.2%	5.2%
Investment grade corp	3.16%	21%	10.7%	9.9%
High yield corp	5.87%	15%	7.5%	9.9%
Emerging markets (USD)	4.87%	17%	11.0%	9.4%
Emerging markets (local curr)**	4.29%	0%	8.2%	5.8%
Global agg ex-U.S. curr hedged	3.01%	62%	7.6%	5.8%
Global agg ex-U.S. (local curr)	0.59%	2%	4.1%	5.0%

Source: U.S. Bank Asset Management Group analysis, Bloomberg. *Data as of 6/28/2019. Indexes used to represent each asset class are detailed in the disclosures section. **Emerging markets (local currency) percentile data begins 6/30/08, reflecting only 11 years of data.

Credit valuations have cheapened, though fundamentals have deteriorated somewhat.

Investment-grade and high yield credit valuations are both near long-term normal levels after being expensive for most of 2018 and parts of 2019. Trailing corporate fundamental metrics remain mixed and have deteriorated somewhat, driven by high leverage. Strong margins allow ample debt service capacity, but any deterioration (potentially driven by rising wage costs paired with subdued inflation) would expose overleveraged companies. We believe normal allocations to investment grade credit investments are appropriate and recommend a balanced approach relative to U.S. Treasuries. We remain neutral on high yield bonds given softer economic conditions and relatively full valuations. Overall allocations to riskier fixed income sectors, such as high yield corporate and emerging market bonds, should remain modest for now, with active management a critical factor. Deteriorating issuance quality in the bank loan segment of the high yield market warrants caution.

Municipal debt is expensive but remains the best choice for investors in high tax brackets.

Municipal bond (muni) valuations are expensive by historical comparisons. Persistently strong demand from investors seeking increasingly scarce tax havens combined with scant supply to replace maturities and coupon payments have driven prices higher. In our view, munis continue to provide the best core fixed income exposure solution for most higher tax bracket, taxable investors, though investors in lower tax brackets should consult with their advisor. Longer term, legacy liabilities (such as underfunded pensions, increased healthcare spending and deferred maintenance on infrastructure) may pose risks to certain segments of the municipal bond market. Slightly longer-than-benchmark maturity profiles are appropriate given the incremental tax-equivalent yield available. We also favor a structural allocation to actively managed high yield municipals within core muni holdings, reflecting low historical default rates.

Real asset markets

Lower interest rates have supported real estate prices, but lower returns likely ahead.

Commercial real estate returns have been supported by lower interest rates in the past quarter and prices have increased to near all-time highs. Lower interest rates help by making the current earnings of commercial real estate look more attractive relative to alternative income-oriented investments, such as bonds or utilities. Additionally, since most commercial real estate is financed (meaning owners borrow money for the investment), lower rates enable real estate companies to earn a larger income due to their borrowings, which increases returns. We do expect property market fundamentals to deteriorate slightly from current levels, with vacancies trending higher and net operating income growth slowing, at this late stage of the real estate business cycle. However, we do not expect the slowing to result in excessive pressure on commercial real estate prices.

Our comments above can be extended to other defensive sectors of the market, like infrastructure assets and utilities. These assets, just like real estate, have more stable cash flows than typical equities, and lower interest rates have supported prices of these equity sectors. Currently, we are not forecasting a significant deterioration in cash flows and believe investors can still earn the dividend yield these investments generate. We remain tactically cautious acknowledging that interest rate movements will play an outsized role in determining the defensive sectors' valuation from here.

Weaker global growth likely keeps cyclical commodity prices under pressure.

Commodity markets, from industrial metals to oil, have sold off dramatically during the second quarter of 2019. Escalating trade tensions with China have driven moves in oil, copper and other base metals. In the oil markets, although global production is down, domestic production is at all-time highs and domestic inventories are at two-year highs. We anticipate continued growth in U.S. production and inventories, which could place additional pressure on prices. Additionally, other industrial commodities are well supplied, making growth a necessity to prevent supply gluts. We expect prices to remain soft until trade disputes are resolved and growth concerns dissipate. In contrast, precious metals have been the beneficiary of growth fears and declining interest rates. We expect gold markets to remain firm as interest rates stay low, reducing the opportunity cost to owning gold.

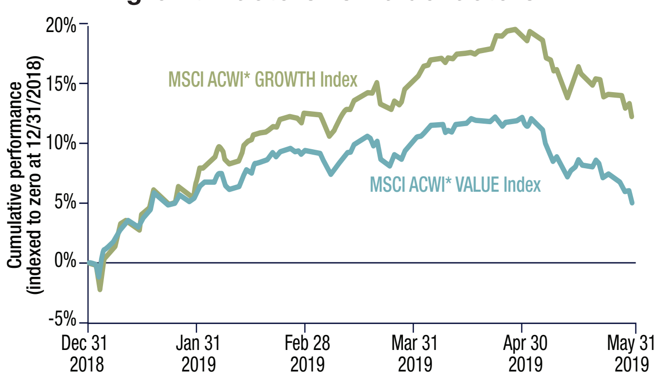
Midstream energy infrastructure companies, which include energy storage and transportation, have gone sideways for the entire second quarter. We believe it is a positive signal that prices have held up despite a significant decline in crude prices. Merger and acquisition activity in the space has demonstrated the inherent value in the underlying assets. From a fundamental perspective, the midstream industry is improving. Earnings, net of certain costs, are growing solidly and conversion of many limited partnerships to traditional corporations has greatly improved corporate governance, including financing costs and flexibility. We believe the midstream space looks inexpensive and we anticipate high single-digit to low double-digit returns, on average, over the next business cycle.

Alternative investments

Managing a hedge fund is like being a boxer

The famous quote by Muhammad Ali "Float like a butterfly, sting like a bee," may come to mind when assessing the current capital market environment. An active manager needs to stay nimble, bobbing and weaving like Ali amid the quick "risk-on" and "risk-off" market moves that appear to be driven by presidential tweets and speeches by Fed members. The cost of being wrong if a manager is caught wrong footed or leaning in the opposite direction in this market can be swift, with severe performance implications. Case in point is fourth quarter 2018 performance when the S&P 500 was down 13.5 percent. During that period, the HFRI Equity Hedge Index was down 8.3 percent, making it easier to recover most of its losses by the end of first quarter 2019. The strong equity market returns continued into April, as reflected by the HFRI Equity Hedge Index returning 9.5 percent year to date through April.

Disparity between performance of growth factors vs. value factors



Source: U.S. Bank Asset Management Group analysis, Morningstar and FactSet. Data period: 12/31/2018-5/31/2019. Shown for illustrative purposes only. Past performance is not a guarantee of future results. *ACWI: All Country World Index. Index descriptions are provided in the Disclosures.

How the private lending story finally ends

After reading several fiction books by the same author, a seasoned reader may develop a pretty good understanding of how the plot will twist and turn and likely be able to determine what the obvious ending will be even before the book concludes. Regarding private lending and private debt funds, we believe we have seen this story before. As we have communicated in our commentaries over the past several quarters, we remain concerned about the rush of capital from investors seeking higher returns and the increasing competition among private lending and private debt funds. This wave of investor capital is forcing funds to either return capital and reduce the size of the fund or keep the capital and, in order to remain competitive with other funds, place it with lower-quality borrowers, charge lower fees and relax the loan covenants or conditions that borrowers must meet to fulfill loan obligations. Since we know few funds turn away investors' capital (and the fees they charge on invested capital), the result is more risk to lenders (and their clients) and lower expected returns. Most worrisome, since most of these funds have only known investing in a strong economy and bull market environment for riskier asset classes, the plot twist will occur during a material economic slowdown when those lower quality borrowers with the "covenant-lite" loans become unable to meet their obligations and loans become "non-performing" or "work-out" loans. It is not difficult to figure out how this story will end. The moral of the story is to invest with funds that have been around through several economic cycles and have demonstrated the discipline in not sacrificing quality for quantity.

This commentary was prepared June 2019 and represents the opinion of U.S. Bank Wealth Management. The views are subject to change at any time based on market or other conditions and are not intended to be a forecast of future events or guarantee of future results and is not intended to provide specific advice or to be construed as an offering of securities or recommendation to invest. Not for use as a primary basis of investment decisions. Not to be construed to meet the needs of any particular investor. Not a representation or solicitation or an offer to sell/buy any security. Investors should consult with their investment professional for advice concerning their particular situation. The factual information provided has been obtained from sources believed to be reliable but is not guaranteed as to accuracy or completeness. Any organizations mentioned in this commentary are not affiliated or associated with U.S. Bank or U.S. Bancorp Investments in any way.

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Diversification and asset allocation do not guarantee returns or protect against losses. Based on our strategic approach to creating diversified portfolios, guidelines are in place concerning the construction of portfolios and how investments should be allocated to specific asset classes based on client goals, objectives and tolerance for risk. Not all recommended asset classes will be suitable for every portfolio.

Past performance is no guarantee of future results. All performance data, while deemed obtained from reliable sources, are not guaranteed for accuracy. Indexes shown are unmanaged and are not available for investment. The **S&P 500 Index** is an unmanaged, capitalization-weighted index of 500 widely traded stocks that are considered to represent the performance of the stock market in general. The **MSCI EAFE Index** includes approximately 1,000 companies representing the stock markets of 21 countries in Europe, Australasia and the Far East (EAFE). The **MSCI Emerging Markets Index** is designed to measure equity market performance in global emerging markets. The **MSCI ACWI Growth Index** captures large- and mid-cap securities exhibiting overall growth style characteristics across 23 developed markets countries and 26 emerging markets countries. The **MSCI Emerging Markets Index** is designed to measure equity market performance in global emerging markets. The **MSCI ACWI Value Index** captures large- and mid-cap securities exhibiting overall value style characteristics across 23 developed markets

 Important disclosures continued on page 10.

countries and 26 emerging markets countries The **Bloomberg Barclays U.S. Aggregate Bond Index** is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities. The **Bloomberg Barclays U.S. Treasury Bond Index** measures U.S. dollar denominated, fixed-rate, nominal debt issued by the U.S. Treasury. The **Bloomberg Barclays U.S. Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market and includes U.S. dollar denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers. The **Bloomberg Barclays U.S. Corporate High Yield Bond Index** measures the U.S. dollar denominated, high yield, fixed-rate corporate bond market. The **Bloomberg Barclays Emerging Markets Bond Index** tracks total returns for external currency-denominated debt instruments of the emerging markets, including Brady bonds, loans, Eurobonds and U.S. dollar denominated local market instruments. The **Bloomberg Barclays Emerging Markets U.S. Dollar (USD) Aggregate Index** is a flagship hard currency emerging markets debt benchmark that includes fixed and floating-rate U.S. dollar denominated debt issued from sovereign, quasi-sovereign and corporate EM issuers. The **Bloomberg Barclays Global Aggregate ex-U.S. Dollar (USD) Index** is a measure of global investment grade debt from 24 local currency markets. This multi- currency benchmark includes Treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Equity securities are subject to stock market fluctuations that occur in response to economic and business developments. The value of **large-capitalization stocks** will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions. **Stocks of small-capitalization companies** involve substantial risk. These stocks historically have experienced greater price volatility than stocks of larger companies and may be expected to do so in the future. **Growth investments** focus on stocks of companies whose earnings/profitability are accelerating in the short term or have grown consistently over the long term. Such investments may provide minimal dividends, which could otherwise cushion stock prices in a market decline. Stock value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments. **Value investments** focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that their intrinsic values may never be realized by the market, or such stocks may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments. **International investing** involves special risks, including foreign taxation, currency risks, risks associated with possible difference in financial standards and other risks associated with future political and economic developments. Investing in **emerging markets** may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility. Investing in **fixed income securities** are subject to various risks, including changes in interest rates, credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications, and other factors. Investment in debt securities typically decrease in value when interest rates rise. The risk is usually greater for longer-term debt securities. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in **high yield bonds** offer the potential for high current income and attractive total return but involve certain risks. Changes in economic conditions or other circumstances may adversely affect a bond issuer's ability to make principal and interest payments. The **municipal bond market** is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities. Interest rate increases can cause the price of a bond to decrease. Income on municipal bonds is free from federal taxes but may be subject to the federal alternative minimum tax (AMT), state and local taxes. **Treasury Inflation-Protected Securities (TIPS)** offer a lower return compared to other similar investments and the principal value may increase or decrease with the rate of inflation. Gains in principal are taxable in that year, even though not paid out until maturity. There are special risks associated with an investment in **commodities**, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes, and the impact of adverse political or financial factors. Investments in **real estate securities** can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates, and risks related to renting properties (such as rental defaults). **Hedge funds** are speculative and involve a high degree of risk. An investment in a hedge fund involves a substantially more complicated set of risk factors than traditional investments in stocks or bonds, including the risks of using derivatives, leverage and short sales, which can magnify potential losses or gains. Restrictions exist on the ability to redeem or transfer interests in a fund. **Private capital investment funds** are speculative and involve a higher degree of risk. These investments usually involve a substantially more complicated set of investment strategies than traditional investments in stocks or bonds, including the risks of using derivatives, leverage, and short sales, which can magnify potential losses or gains. Always refer to a Fund's most current offering documents for a more thorough discussion of risks and other specific characteristics associated with investing in private capital and impact investment funds. **Private equity investments** provide investors and funds the potential to invest directly into private companies or participate in buyouts of public companies that result in a delisting of the public equity. Investors considering an investment in private equity must be fully aware that these investments are illiquid by nature, typically represent a long-term binding commitment and are not readily marketable. The valuation procedures for these holdings are often subjective in nature. **Private debt investments** may be either direct or indirect and are subject to significant risks, including the possibility of default, limited liquidity and the infrequent availability of independent credit ratings for private companies.

