Aptus Quarterly Market Update – Q2 2022

Equity Market in Review

A Market in Review

The U.S. Officially Entered into a Bear Market: The S&P 500 has officially entered a bear market, marking the 27th bear market since 1929 (20%+ peak-to-trough decline without a 20% rally). Historically, bear markets have resulted in a 35% avg. drawdown.

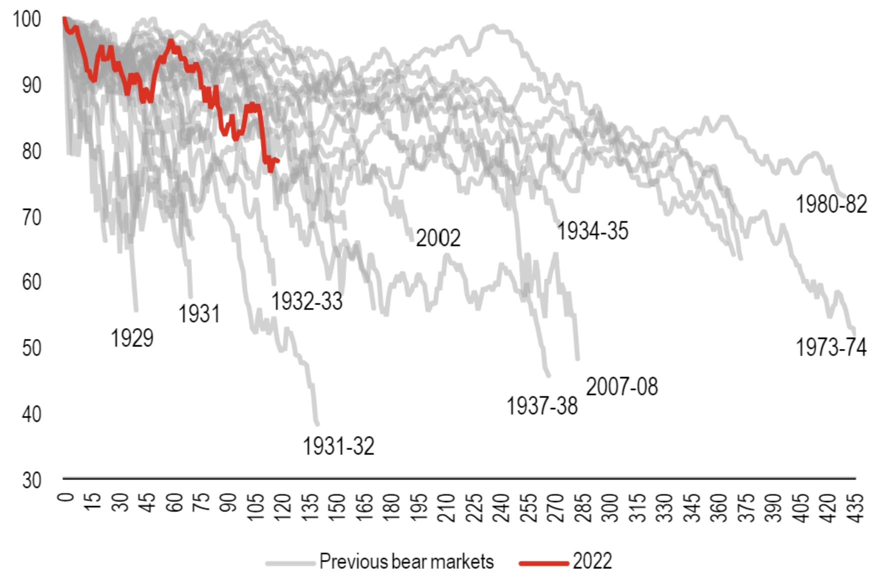
A Macro-Led Market: The market has been more focused on macroeconomic factors than fundamental facts as of late, driving the market's gauge of investor sentiment, valuations, substantially lower.

What Concerns Us the Most?: In short, what concerns us most about the markets today is:

- The potential for a Fed policy error;
- A general tendency to think about turns in the economy and stock prices in V-shaped terms; and
- Weaker second quarter earnings guidance.

The S&P 500 has officially entered a bear market

Peak-to-trough declines in historical bear markets (declines of 20%+ without a 20% rally) since 1929



Source: BofA, Data as of 6/30/2022

	1M	QTD	YTD	1-YR	3-YR	5-YR	10-YR
S&P 500	-8.83%	-16.11%	-19.97%	-10.48%	10.58%	11.14%	13.22%
NASDAQ	-9.02%	-22.27%	-29.22%	-23.37%	12.24%	13.17%	15.84%
Dow Jones Industrial	-7.15%	-10.78%	-14.44%	-8.47%	7.24%	9.88%	11.94%
Russell 2000	-9.37%	-17.21%	-23.45%	-25.59%	4.18%	4.99%	9.65%
MSCI EAFE	-9.14%	-14.32%	-19.23%	-18.10%	1.64%	2.59%	6.37%
MSCI EM	-3.49%	-11.40%	-17.57%	-25.37%	0.87%	2.49%	3.77%
U.S. Barclays Agg.	-2.06%	-4.69%	-10.35%	-10.17%	-0.93%	0.81%	1.52%
Investment Grade Bonds	-3.89%	-8.61%	-16.24%	-15.95%	-1.28%	1.22%	2.80%
High Yield Bonds	-7.25%	-9.89%	-13.83%	-12.48%	-0.63%	1.62%	3.76%

Source: Bloomberg. Data as of 6/28/2022. Returns over 1YR are Annualized.

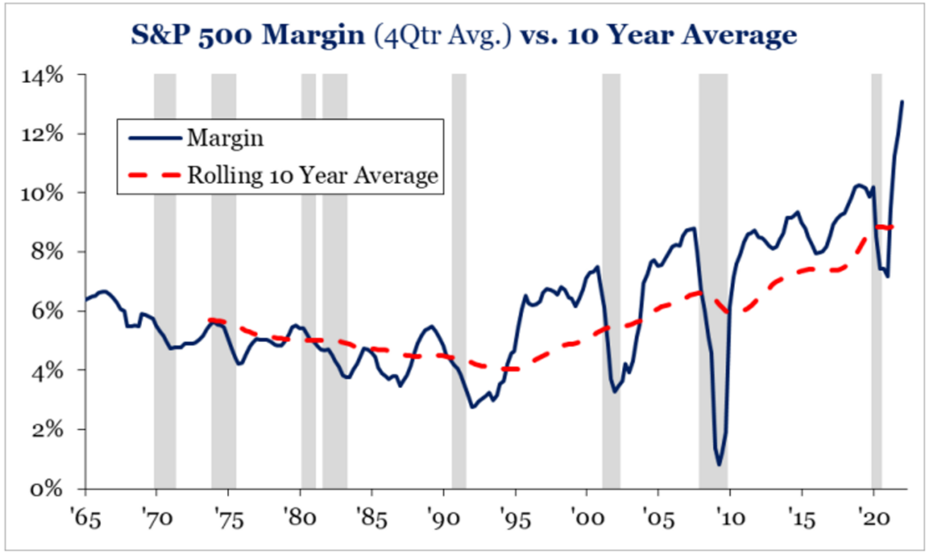
Composition of Returns

Where Did Returns Come From? Thus far in '22, the downturn in the market has been fully attributable from multiple compression. This makes a lot of sense to us, as the market correction was all about higher rates, inflation, an exogenous geopolitical event and not about an economic or earnings slowdown.

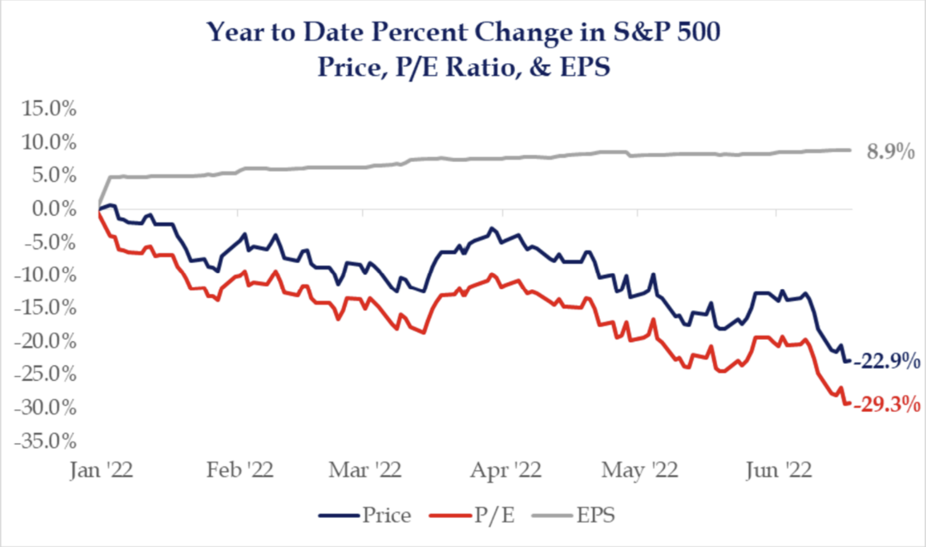
- *S&P 500 Dividend Yield*: 1.37%
- *S&P 500 '22 Earnings Expectations*: Earnings in '22 have already increased by 8.9% in '22 off earnings strength in Energy.
- *Multiple Compression YTD*: The S&P 500 entered the year with a 21.5x price-to-earnings multiple, placing it in the 95th percentile versus its history. As mentioned above, multiple compression attributed to all the market's underperformance this year, placing its current valuation at 15.7x.

The Risk of "Phantom Earnings": The S&P 500 decline this year has been driven entirely by falling valuations, which in turn have moved in line with rising interest rates. As a result, the equity risk premium remains close to where it started the year. While rotations within the equity market have signaled expectations of slowing growth, index valuation does not appear to be providing a buffer for the uncertainty around the path of future earnings.

Earnings fall about 30% on average during recessions. Oddly, expectations for 2023 earnings remain at $251 a 10% increase over this year's level of $229, a 10% increase over 2021. Thus, we haven't seen a downward revision in estimates.



Source: Strategas, Data as of 6/30/2022



Source: Strategas, Data as of 6/30/2022

Second Half Outlook

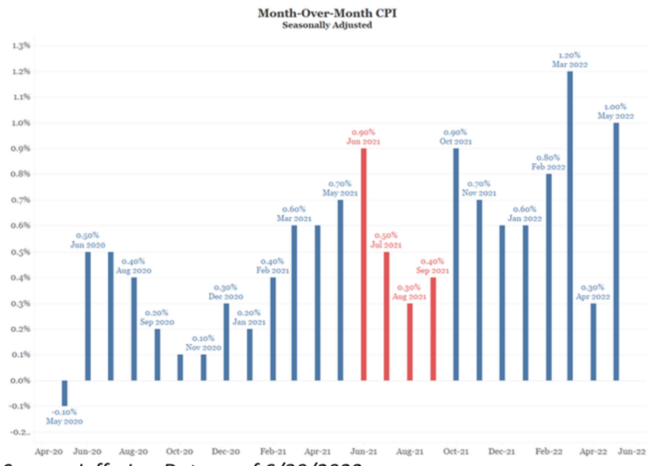
Investors are Grappling with the Idea that this Recent Rise in Risks and Volatility May be Around for a Sustained Period

- **Until The Market Believes That We Have Seen Peak Inflation:**

It's no secret that inflation has remained stubbornly high. Mechanically, it appears that inflation should come down due to very difficult comps, but that has not yet been the case.

We believe that the market's perception of peak inflation is what matters, and until we start to see sustained underperformance of hard assets, i.e., Energy & Basic Materials, the market isn't convinced that peak inflation has set in.

Finally, this "peak inflation" question will be an aspect of the Fed's decisions moving forward regarding Quantitative Tightening.

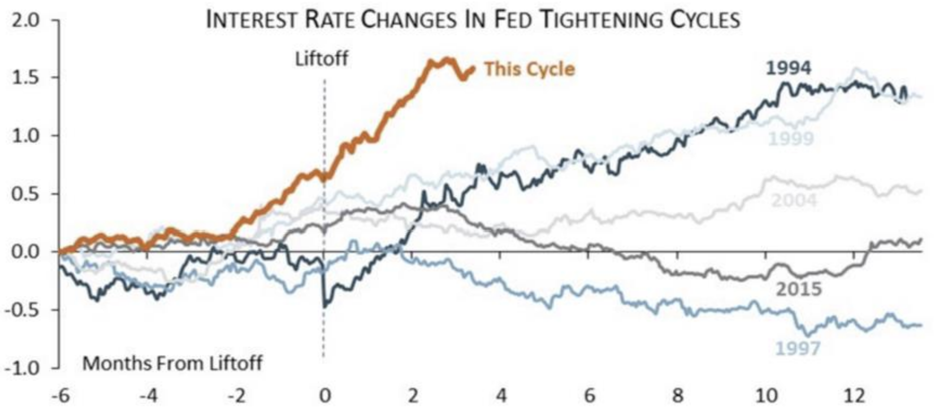


Source: Jefferies, Data as of 6/30/2022

- **The Cadence of the Fed's Transition from an Easing to a Tightening Environment:**

We are going through the fastest tightening cycle since 1994. This has put pressure on yield (upward) and valuations (downward).

We believe the transitions from QE to QT is one of the most challenging risks facing investors over the last twenty+ years. Since the beginning of the GFC, the market has been under a "free lunch" regime, subsidized the Fed monetary policy.



Source: PSC, Data as of 6/30/2022

We continue to maintain that a market "bottoming" is a process, one that given the degree of imbalance and disequilibrium in the economy could take some time to play out.

Fixed Income Market in Review

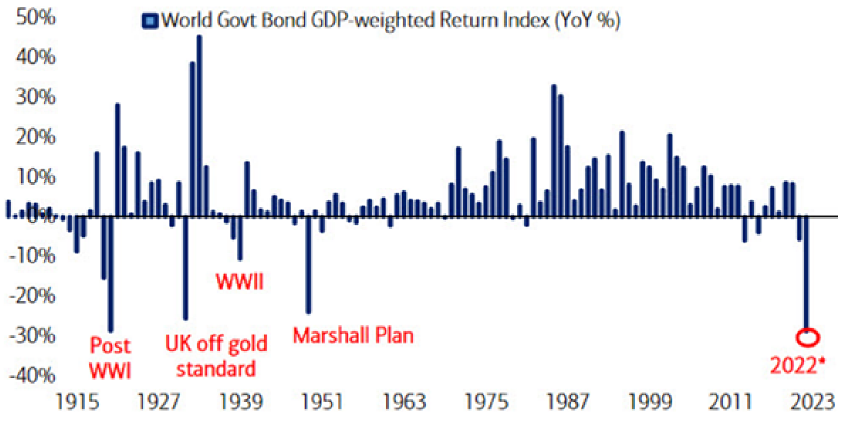
Bonds Continue to Not Provide Safety

Fixed Income Received a Participation Trophy – U.S. Treasuries followed had their worst quarter in 50 years, with another negative print. Not only did bonds lose money in nominal and real terms, but they also served as no protection against the drop in equities. If the year ended today, it would be the worst annual return in history for the U.S. Bond Market, with a loss of -10.35%. The -2.9% loss in '94 is the largest "official" on record.

Long Duration Fixed Assets Continue to Face Headwinds in Inflationary Periods - We believe that bonds in an inflationary environment don't serve as a portfolio hedge as most investors expect. We see this trend continuing over the short and medium-term periods. Fixed income remains a difficult place to invest until its yield > inflation – it appears that we are a long way away from this.

Principle Loss Trumps Yield Income - The income from bonds was neither able to offset the price loss from rising rates nor able to recuperate the negative impact from inflation. In fact, just doing a simple calculation, the negative total return from bonds during YTD 2022 would take just over 3 years of income to offset the price – substantial capital lost in just six months.

Chart 2: Government bonds on course for the worst year since 1865
World govt bond annual returns



Source: BofA Global Investment Strategy, Global Financial Data, *2022 YTD annualized

Source: BAML, Data as of 6/30/2022

	June 2022	Q2 2022	YTD	1-Year	3-Year	5-Year	10-Year
Barclays Agg. Bond Index	-2.06%	-4.69%	-10.35%	-10.17%	-0.93%	0.81%	1.52%
Investment Grade Bonds	-3.89%	-8.61%	-16.24%	-15.95%	-1.28%	1.22%	2.80%
High Yield Bonds	-7.25%	-9.89%	-13.83%	-12.48%	-0.63%	1.62%	3.76%
Barclays Gov't 1-5YR	-0.66%	-0.85%	-4.19%	-4.87%	-0.04%	0.87%	0.87%
Barclays Intermediate Tsy.	-0.74%	-1.67%	-5.80%	-6.35%	-0.31%	0.87%	0.87%
Barclays Long-Term US Tsy.	-1.47%	-11.93%	-21.25%	-18.45%	-2.94%	0.51%	1.63%
Treasury TIPS	-3.16%	-6.08%	-8.92%	-5.14%	3.04%	3.21%	1.73%
U.S. MBS	-1.60%	-4.01%	-8.78%	-9.03%	-1.44%	0.36%	1.18%

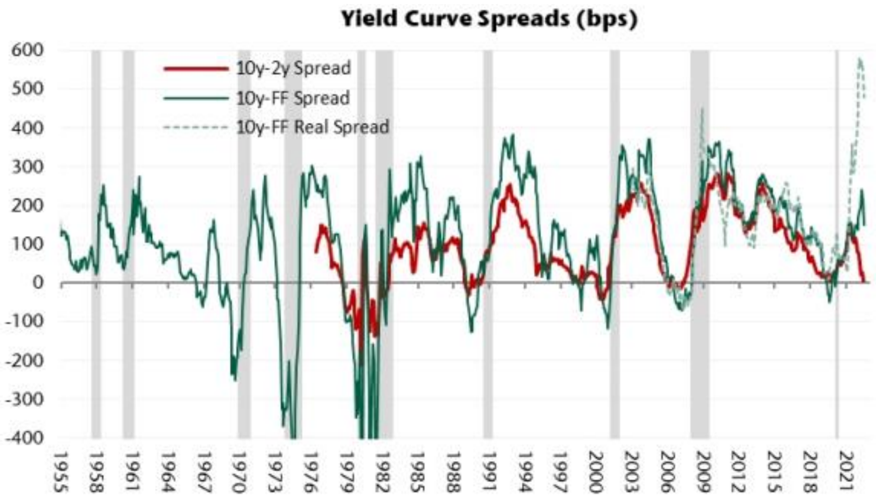
Source: Bloomberg. Data as of 6/30/2022. Returns over 1YR are Annualized.

The Fundamental Bond Backdrop

Let's Talk Yield Curve

What is the Slope of the Yield Curve? The 10-YR Fed Funds Spread has correctly anticipated the last 8 recessions, and the shortest period between inversion and recession was 10 months. That spread has not yet inverted, and based on the implied trajectory, it won't do so until Q4 – stating a relatively low odds for a near-term recession.

What Can Cause a Yield Curve Inversion? An inversion is bad because it estimates that the Fed will hike above neutral and going above neutral has been historically dangerous for the health of the economy.



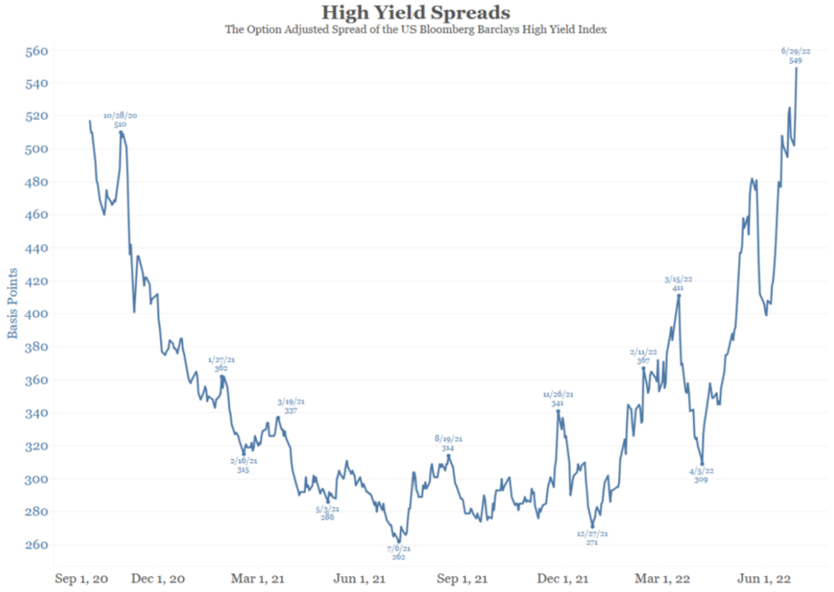
Source: Haver, JEF Economics

What Are Credit Spreads Telling Us?

Investment Grade Spreads – During the quarter, credit spreads widened by almost 250bps, as the market took a risk off perspective. It was even more draconian in the more cyclical areas of the market.

High Yield Spreads - High Yield Spreads have widened throughout the quarter. Initially in the year, high yield bonds showed losses mostly due to the duration of the bonds

Why Has High Yield Outperformed? HY has outperformed Investment Grade bonds due to their shorter duration.



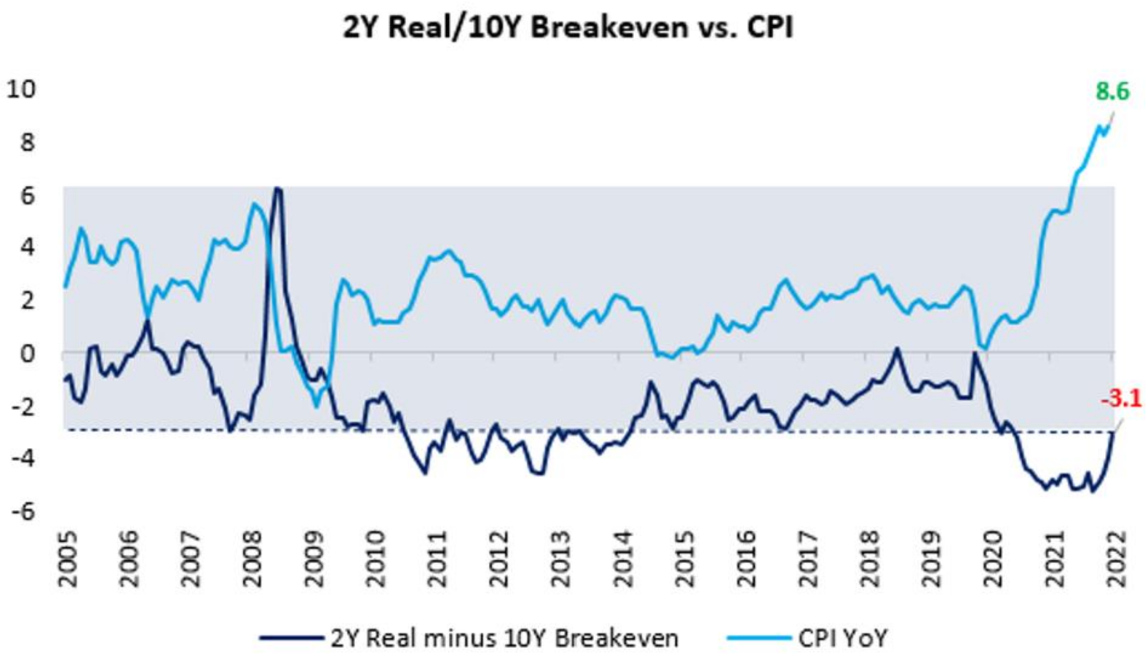
Source: Bianco Research, Data as of 6/30/2022

Real Rates are the Real Problem

The 2-YR Real Rate is Still Negative:
We believe that more Fed rate hikes should translate into higher real rates – which the 2-YR real rate remains negative. In tandem with this, we think that there will be more hawkish surprises until the Fed is able to get inflation under control. Thus, the potential for higher real rates.

We believe that this is the course of action moving forward, i.e., more rate hikes, until real rates are at a sufficient level to reduce long-term inflation to the Fed's historical target of 2%. Along this pathway, as rates move higher, we believe that the real economy could see some demand destruction.

What Does a Negative Real Interest Rate Mean?
If there is a negative real interest rate, it means that the inflation rate is greater than the nominal interest rate.



Source: Jefferies, Data as of 6/30/2022

Economics

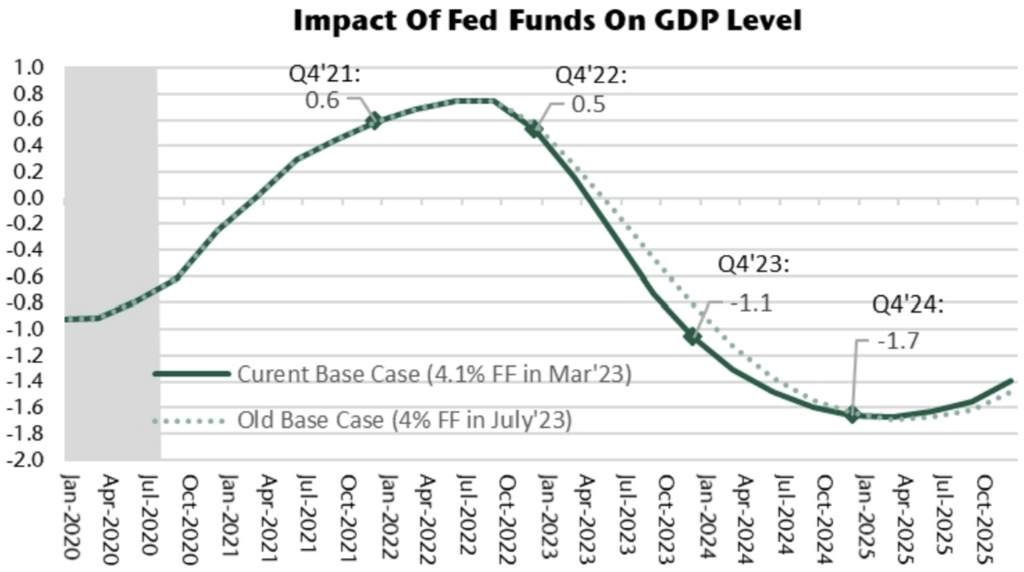
What Does a Recession Mean?

What is a Recession?
Broadly speaking, a recession is popularly defined as two consecutive quarters of negative GDP growth, but that is not a hard and fast rule.

What Can Cause a Recession?
It's important to remember that recessions are the ultimate end result of policy mistakes. Either the Fed tightens rates too quickly or too much and/or we get some Federal policy change that causes economic catastrophe.

…Are Recessions Bad for Stocks?
Recessions themselves are arbitrary designations, and the economy slows well ahead of any official recession. More importantly, market declines occur long before recessions are even declared.

That's at least partially why stocks are down so much YTD, so to a point, at least some potential for a recession is already being priced in. By the time the economy is in "recession" stocks may well have bottomed and will be looking towards the recovery.



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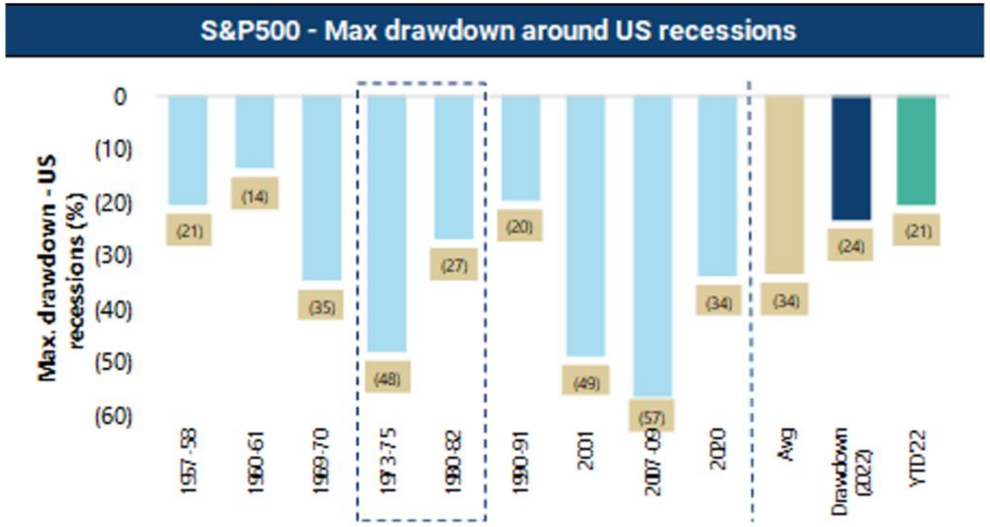


Source: Jefferies, Data as of 6/30/2022

Fed Up With Low Rates

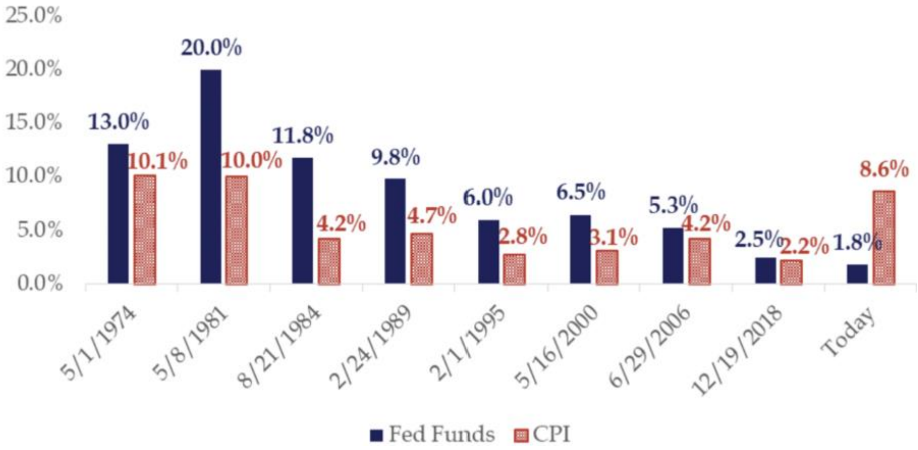
Will The Fed Remain Credible?

- Global central banks are in the process of removing extraordinary monetary policy measures that were put in place because of the COVID-19 pandemic.

- The Fed is heading into uncharted waters - policy makers have already begun raising rates at a historical pace while implementing quantitative tightening (QT) at the same time.

- We believe that the Fed will continue being hawkish, i.e., increasing rates. Historically speaking, the Fed only stopped tightening after the Fed Funds rate exceeded the prevailing rate of inflation as measured by the CPI. With the Fed Funds rate at a mere 1.8% and the CPI currently running at 8.6%, we may have a long way to go.

Fed Funds Target Rate Upper Bound & CPI At The End Of Prior Tightening Cycles



Source: Strategas, Data as of 6/30/2022

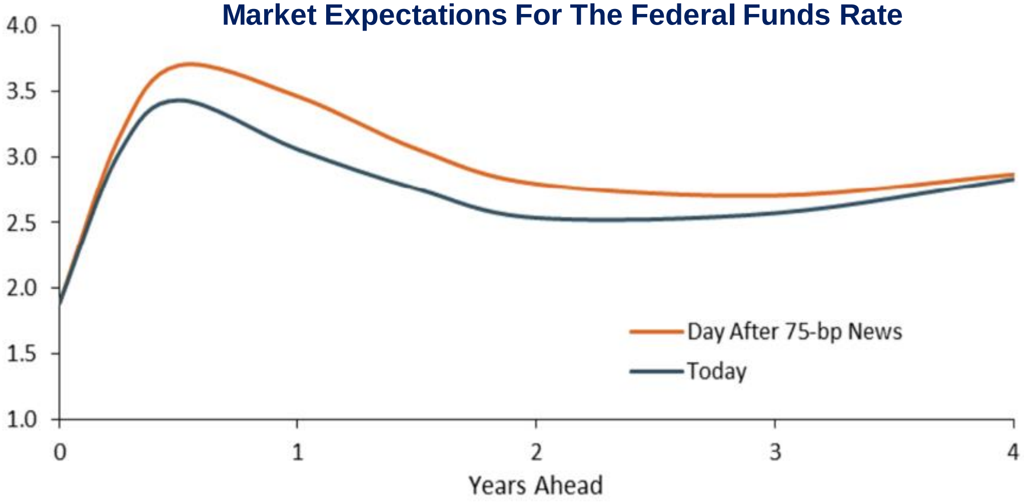
Soft vs. Hard Landing Narrative – What is the Difference?

- *Soft Landing:* Fed tightens Monetary policy <u>without</u> a recession.
- *Hard Landing:* Fed tightens Monetary policy <u>with</u> a recession.

What Are the Chances of a Hard Landing?

- Fed officials remain unanimously optimistic about the prospects for the US economy. No surprise there: It would be extraordinary if the central bank openly admitted that a downturn is coming.
- Historically, there has been only one instance when Fed tightening above neutral did not result in a recession—the 1994-95 episode, which was accompanied by a large increase in productivity.
- A piece of good news coming from markets is the recent sharp decline in inflation expectations; but that seems to be the result of recession fears, not a reason not to expect a recession.

Market Expectations For The Federal Funds Rate



Source: PSC, Data as of 6/30/2022

What is Quantitative Tightening?

[What Is It?] Quantitative Tightening is a process where the Federal Reserve reduces its balance sheet to reverse the economic impact of "Quantitative Easing," or "QE," where global central banks pump liquidity into the financial system to provide liquidity during periods of economic stress like the Great Financial Crisis, or more recently, the COVID-19 pandemic.

What Are the Characteristics of QT?

- The Fed began the QT process in June reducing the reinvestments of principal payments in Treasuries and Mortgage-Backed Securities.
- Alongside QT, the Federal Open Market Committee (FOMC) will be raising interest rates.

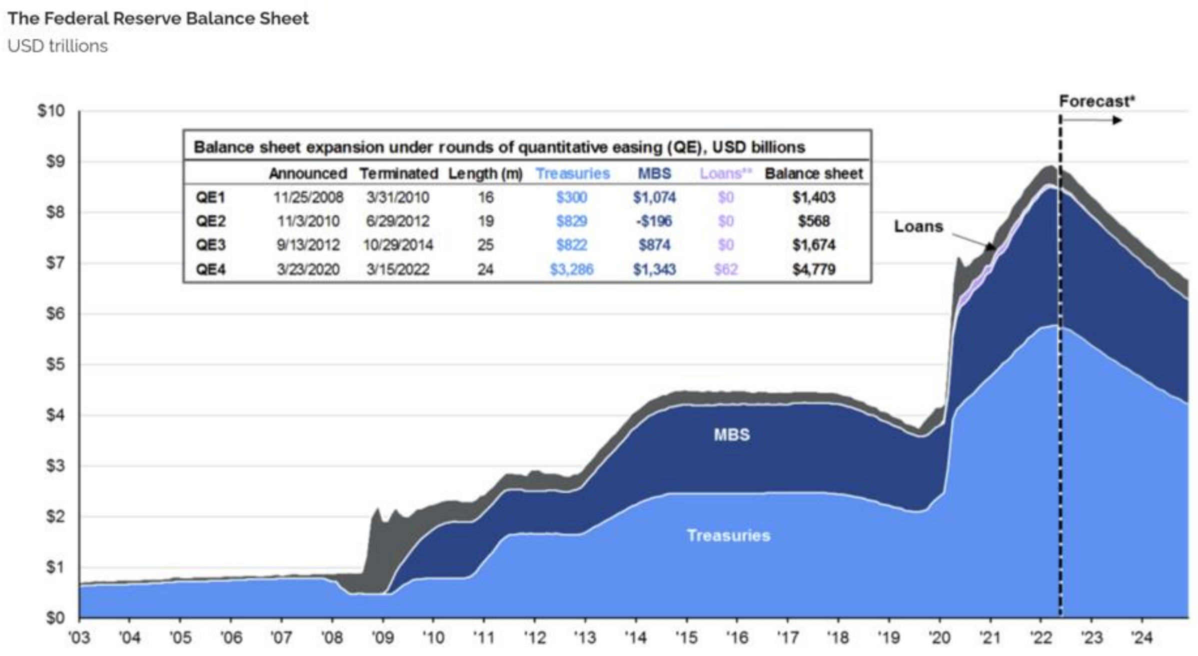
How Does the Withdrawal of Liquidity Work?

At its core, QT is when the Fed receives principal repayments from its security holdings, and rather than use those proceeds to purchase new securities, it extinguishes it and reduces the amount of reserves in the system.

What Will the Market Impact Be?

Quantitative easing (QE) pumped a massive amount of liquidity into the system, and now there is too much. Therefore, the initial reduction in the balance sheet shouldn't be a cause for concern.

The massive increase in yields and decline in bond prices, has already occurred. As a result, the tightening in financial conditions and expected liquidity removal, to some extent, has already been priced into markets.



Balance sheet expansion under rounds of quantitative easing (QE), USD billions

	Announced	Terminated	Length (m)	Treasuries	MBS	Loans**	Balance sheet
QE1	11/25/2008	3/31/2010	16	$300	$1,074	$0	$1,403
QE2	11/3/2010	6/29/2012	19	$829	-$196	$0	$568
QE3	9/13/2012	10/29/2014	25	$822	$874	$0	$1,674
QE4	3/23/2020	3/15/2022	24	$3,286	$1,343	$62	$4,779

Source: JPMorgan Asset Management, Data as of 6/30/2022

Inflation Continues to Inflate

Headline Inflation Remains a … Headline:

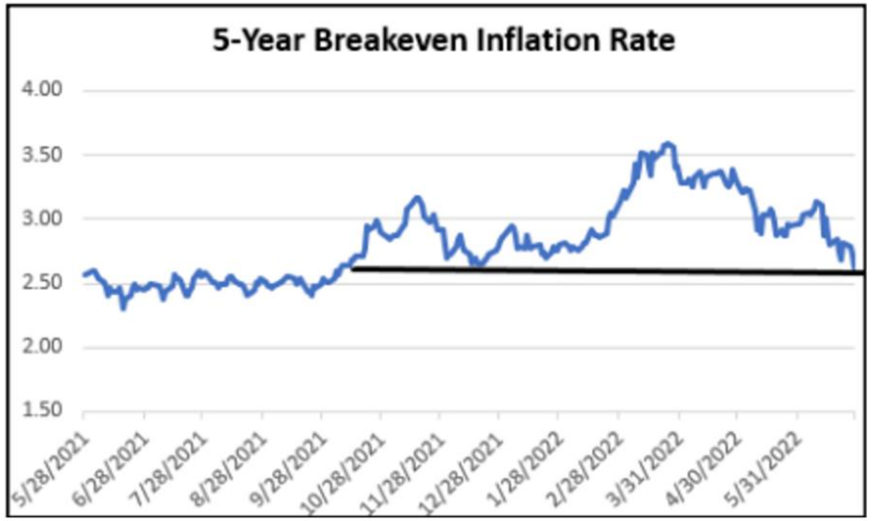
- Bottom line, from a medium- and long-term standpoint, inflation remains one of, if not the, most important variables in the market. If inflation statistics and inflation expectations do not show signs of weakening, the Fed will need to continue being aggressive. Otherwise, the Fed could lose its credibility.
- The ramification of this would be an increased chance that the Fed makes a policy error, i.e., raising rates so fast that it would push the economy into a recession.

Inflation is a Regressive Tax on Main Street America:

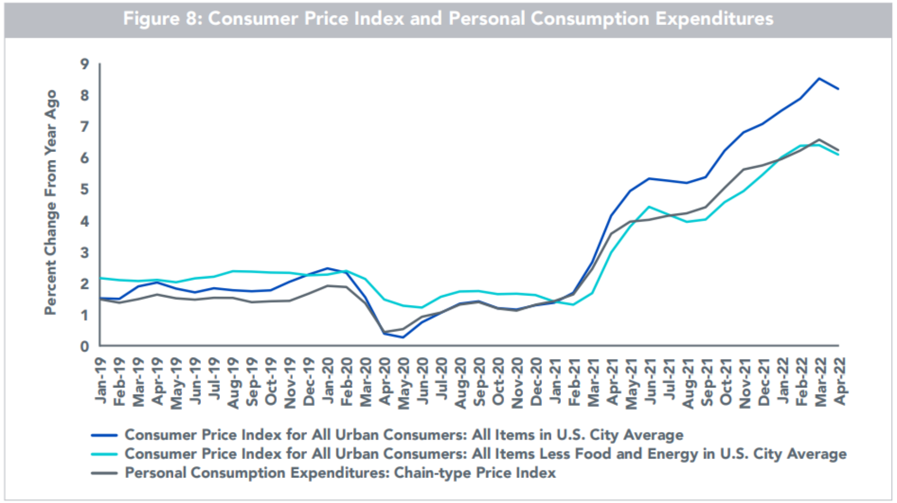
- The biggest question facing investors is: can the Fed get inflation under control without inducing a recession along the way?
- With inflation consistently running over 7%, the Fed believes it has more of a duty to protect ordinary Americans from the regressive tax of inflation than bailing out investors with continued accommodative policy (Quantitative Easing).

Upward Pressure on Inflation is Likely Moving Forward:

- Inflation remains stubbornly high and the contributing inputs have flipped to more structural problems. Examples of this are: Energy pricing, Housing pricing, Services pricing, and Labor pricing.



Source: The Sevens Report, Data as of 6/30/2022



Source: St. Louis Fed (FRED), data through 04/22.

What is the State of the Consumer

The Market and Economy Are Not the Same Thing:

- What's the Difference?
  - The Market: The market tends to be a more volatile vehicle predisposed to investor sentiment on the perceived current environment.
  - The Economy: The economy is based off the health of the consumer and their propensity to spend over longer periods of time.

The Consumer's Wallet Doesn't Jiggle, Jiggle – It Folds:

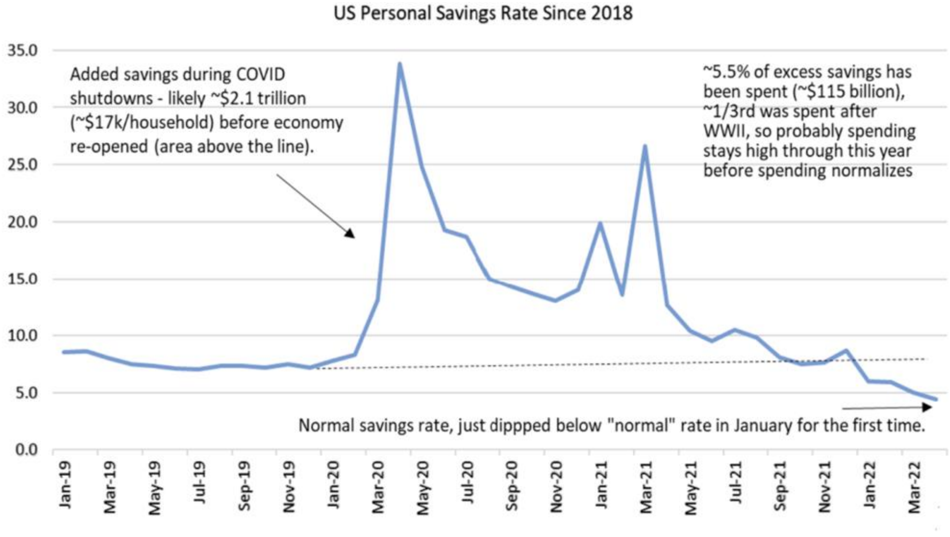
The market invests in the *Change* in the near-term (i.e., Savings Rate), and the *Level* in the long-term (i.e., Total Net Worth).

The Short-Term Problem*:* It's no secret that the Consumer is flush with capital. BUT, the strength of the consumer isn't a saving grace in the face of multi-decade high inflation, especially in the short-term. The Savings Rate has been declining, as they spend more capital, given the increased cost of basic goods.

The Long-Term Solution*:* Any way one slices it, the consumer continues to be flush with capital, which should drive economic benefits over a full business cycle.

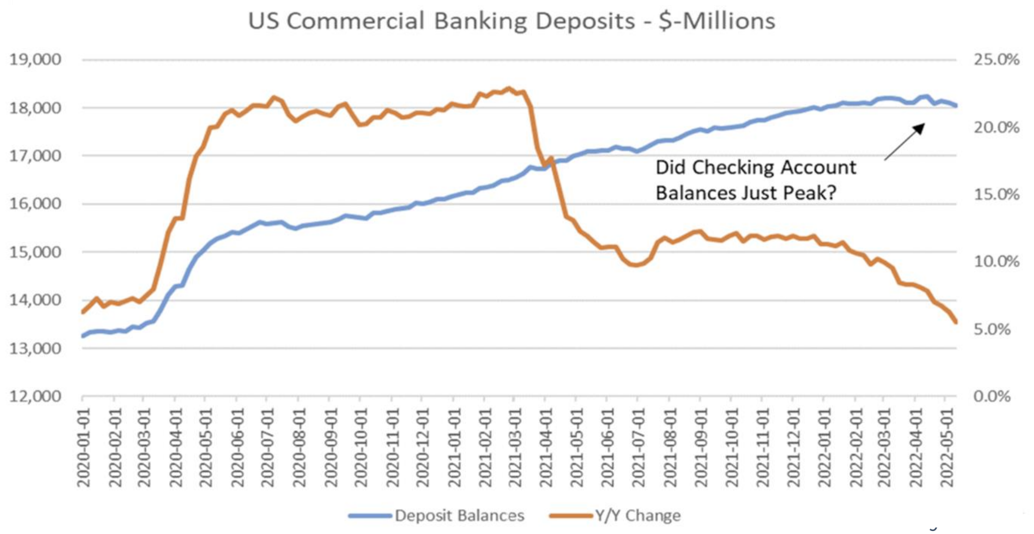
The *income statement* is your capital intake minus the expenses. If the expenses > capital intake, you must tap your savings account, i.e., balance sheet. If one starts the see their *balance sheet* completely deplete, then it becomes worrisome – we are no where close to that.

The Consumer's Income Statement:



Source: Raymond James, Data as of 5/27/2022

The Consumer's Balance Sheet:



Source: Raymond James, Data as of 5/27/2022

APTUS CAPITAL ADVISORS

The Good, The Bad & The Ugly

The GOOD / The BAD / The UGLY

The Good

The U.S. Consumer has Never Been Healthier

We believe the aggregate consumer is flush with cash, and once pent-up demand can safely be unleashed, the U.S. economy can continue to rip higher. The average U.S. Household are worth ~30% more. Consumer balance sheets are well fortified and flush with cash - ready to spend when supply chain and virus risks ease.

The Bad

Phantom Earnings Potentially Driving Negative Revisions

Earnings Expectations for the S&P 500 continue to rise. Anecdotally, margins continue to compress at the corporate level, but have not yet been represented in overall analyst's earnings expectations. We believe that if earnings were to drop, which they tend to fall ~30% during a recession, the market could follow.

Longer-than-Expected Supply Chain Issues

It's no secret that there is a supply chain problem globally. Furthermore, it appears to be lasting much longer than originally anticipated. Given the lack of supply, coupled with extreme demand, we've seen substantial increases to the price of goods. If these bottlenecks continue to persist, it could dampen future expectations for consumer spending.

The Ugly

Higher-than-Expected Inflation

The magnitude of the policy actions used to counteract deflation may, in the end, be hugely inflationary. Higher-than-expected inflation tends to be a major headwind to equity valuations. Right now, 5YR inflation breakeven figures are well above the Fed's 2% target. For markets, how the Fed chooses to address inflation is as important as the inflation itself.

Fed Tightening Misstep

The yield curve officially inverted in Q1 2022. Now, it is up the Fed Chair Jerome Powell to recognize the level of flattening. This means caution in communication if the Fed is to avoid the mistakes of the Yellen Fed, namely inverting the yield curve and slowing the flow of liquidity to main street by redirecting said liquidity towards Wall Street. We believe the Fed is between a rock (slower growth) and a hard place (inflation).

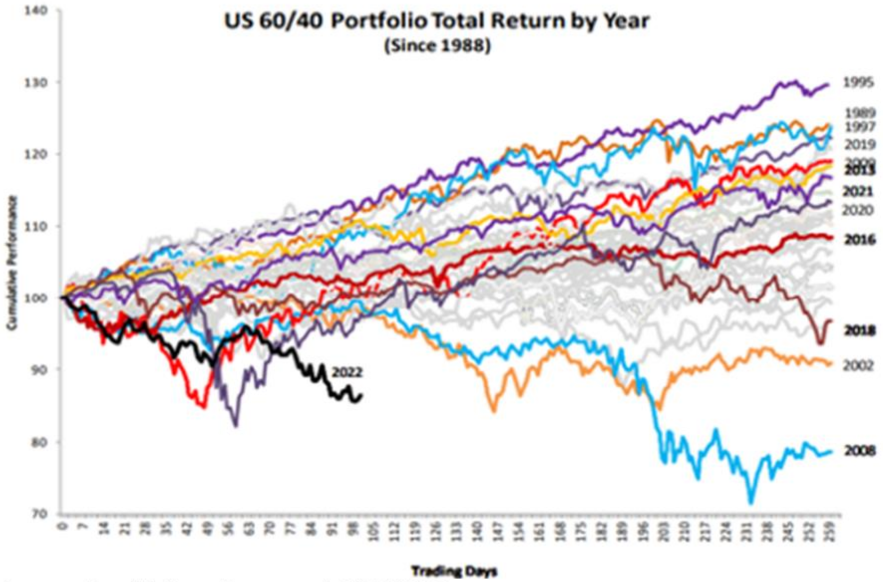
Asset Allocation Performance

Asset Allocation Woes

What Are Each Asset Classes Telling Investors?

- *Stocks:* Given the leadership in the defensive areas, the stock market is starting to price in a sooner-than-expected economic slowdown and potentially a recession. Not to mention, a war, a tightening Fed, a mid-term election, and Inflation

- *Bonds:* The bond market may be telling us that the Fed may aggressively jack rates higher in the short term, but they will quickly kill the economic recovery and as such the duration of rate hikes will be far shorter than the Fed thinks, as they will back off tightening in the face of slowing growth.



Source: DoubleLine, Data as of 6/30/2022

Negative Return Quarters for Stocks and Bonds is Rare:

The U.S. Aggregate (AGG) provided a -10.35% loss for the first half of '22. Nothing has been seen like this since the 70s (With data going back to 1976, this is easily the worst start to a year on record) and in turn it's given us the worst start for the 60/40 portfolio since 1900.

Of the 186 quarters since 1976, a negative quarterly return for both stocks and bonds has occurred just 20 times including the second quarter of 2022 – '22 has started off on a hot foot with back to back negative returns from both stocks and bonds.

Quarters with Both Negative Stock and Bond Returns					
Quarter-End	S&P 500	Barclays Agg.	Quarter-End	S&P 500	Barclays Agg.
Mar-77	-8.4%	-0.8%	Mar-94	-4.4%	-2.9%
Dec-77	-1.5%	-0.1%	Jun-94	-0.3%	-1.0%
Dec-78	-6.3%	-1.4%	Mar-05	-2.6%	-0.5%
Dec-79	-1.3%	-3.1%	Jun-06	-1.9%	-0.1%
Mar-80	-5.4%	-8.7%	Jun-08	-3.2%	-1.0%
Jun-81	-3.5%	-0.3%	8-Sep	-8.9%	-0.5%
Sep-81	-11.5%	-4.1%	15-Jun	-0.2%	-1.7%
Jun-84	-3.8%	-2.1%	Mar-18	-1.2%	-1.5%
Mar-90	-3.8%	-0.8%	Mar-22	-4.9%	-5.9%
Mar-92	-3.2%	-1.3%	Jun-22	-16.4%	-3.9%

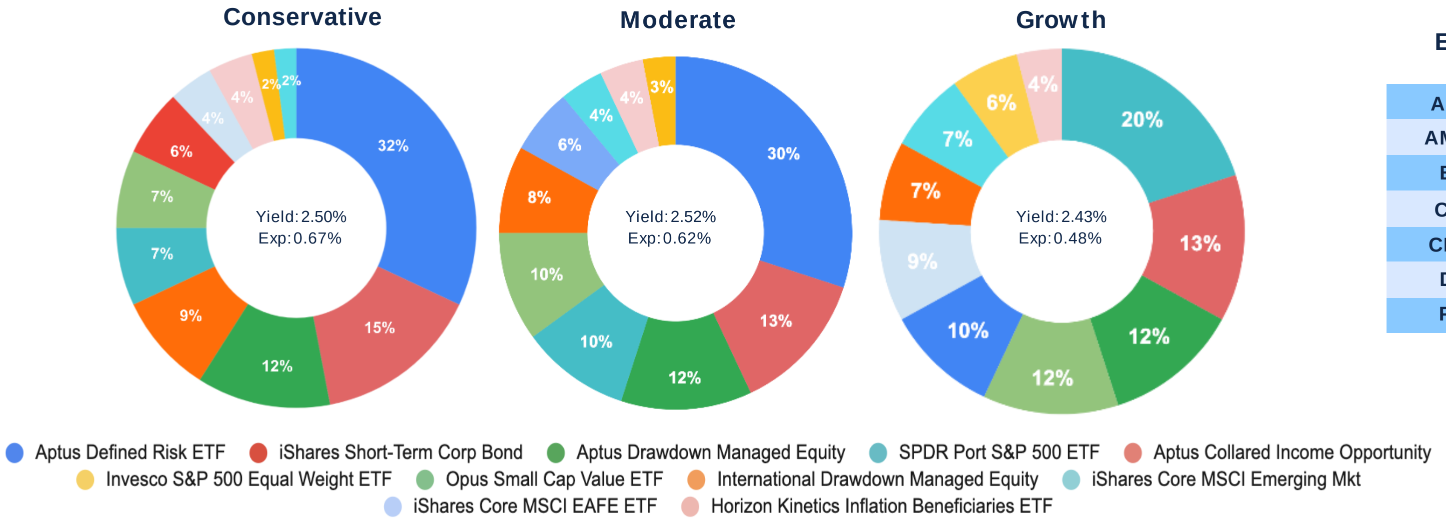
Source: Strategas, Data as of 6/30/2022

Client-Specific Growth & Income Targets

Conservative Allocation: Designed with the primary objective of stability and protection, plus opportunity for appreciation. Reducing drawdown is the foundation, with lower exposure to traditional equities.

Moderate Allocation: Designed with flexibility to dynamically adjust exposure as risks & opportunities change. Balancing the reduction of both drawdown and longevity risk is the goal, designed to capture market returns while mitigating significant declines. Nearly half of the equity exposure contains some form of explicit hedging.

Growth Allocation: Designed to accumulate wealth through equities. Reduced drawdown remains a feature, but with a greater emphasis on reducing longevity risk by harnessing the compounding power of stocks.



Equity Sleeve

ADBE	GOOGL
AMZN	V
BR	JPM
CHE	PXD
CPRT	NVDA
DG	ROP
FIS	UNH
	PHM

Holdings as of 6/30/2022

Please see attached disclosures.

Portfolio Performance

Impact Series Performance (as of 06/30/22)	June	YTD	1 Yr	3 Yr	5 Yr	Inception 1/1/2017	Equities	Fixed	Hedged Eq.
iShares Allocation ETF 30:70	**-3.74%**	-13.12%	-11.67%	1.18%	2.71%	3.42%	30%	70%	0%
Aptus Impact Series: Conservative	**-4.98%**	**-13.28%**	**-9.88%**	**2.81%**	**3.94%**	**4.49%**	**30%**	**40%**	**30%**
iShares Allocation ETF 40:60	-4.39%	-14.05%	-12.09%	2.05%	3.38%	4.21%	40%	60%	0%
Aptus Impact Series: Moderate	**-5.91%**	**-14.41%**	**-10.81%**	**4.35%**	**5.68%**	**6.20%**	**40%**	**30%**	**30%**
iShares Allocation ETF 60:40	-5.53%	-15.67%	-12.79%	3.54%	4.67%	5.68%	60%	40%	0%
Aptus Impact Series: Growth	**-6.99%**	**-16.42%**	**-11.83%**	**4.89%**	**6.63%**	**7.18%**	**50%**	**20%**	**30%**
iShares Allocation ETF 80:20	-6.93%	-17.56%	-13.70%	4.91%	5.77%	7.07%	80%	20%	0%

The performance data represents past performance & does not guarantee future results. Investment return & principal value of an investment will fluctuate, so an investor's shares may be worth more or less than original cost when sold. Current performance may be higher or lower than quoted performance. Returns are expressed in US dollars, & periods >1 year are annualized. All Returns are gross of performance unless otherwise noted. Returns include all fund expenses & maximum trading fee of 0.15% charged by Aptus, but actual client results may be lower based on imposition of advisory fees, platform fees, & custodial fees charged by firms. For example, a 0.15% annual fee deducted quarterly (0.0375%) from an account with a ten-year annualized growth rate of 5.0% will produce a net result of 4.85%. iShares Core Allocation ETFs are designed as diversified core portfolios based on the specific risk consideration of the investor. For performance through most recent month end, please call (251) 517-7198 or visit www.impact-series.com/fact-sheets.

Disclosures

Past performance is not indicative of future results. This material is not financial advice or an offer to sell any product. The information contained herein should not be considered a recommendation to purchase or sell any particular security. Forward looking statements cannot be guaranteed.

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The 2 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 2 year.

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.

The Barclays Capital Long U.S. Treasury Index includes all publicly issued, U.S. Treasury securities that have a remaining maturity of 10 or more years, are rated investment grade, and have $250 million or more of outstanding face value.

The Barclays Capital Intermediate U.S. Treasury Index includes all publicly issued, U.S. Treasury securities that have a remaining maturity of greater than or equal to 1 year and less than 10 years, are rated investment grade, and have $250 million or more of outstanding face value.

The Barclays Capital U.S. 1-5 Year Government Bond index includes fixed income securities issued by the U.S. Treasury (not including inflation-protected securities) and U.S. government agencies and instrumentalities, as well as corporate or dollar-denominated foreign debt guaranteed by the U.S. government, all with maturities between 1 and 5 years

Information presented on this presentation is for educational purposes only and offers generalized speech. It is for informational purposes only and does not constitute a complete description of our investment services or performance. Information specific to the underlying securities making up the portfolios can be found in the Funds’ prospectuses. Please carefully read the prospectus before making an investment decision. All investments involve risk and unless otherwise stated, are not guaranteed. Be sure to consult with an investment & tax professional before implementing any investment strategy.

The Nasdaq Composite Index measures all Nasdaq domestic and international based common type stocks listed on The Nasdaq Stock Market. To be eligible for inclusion in the Index, the security's U.S. listing must be exclusively on The Nasdaq Stock Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such listing). The security types eligible for the Index include common stocks, ordinary shares, ADRs, shares of beneficial interest or limited partnership interests and tracking stocks. Security types not included in the Index are closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities.

The Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal (which is published by Dow Jones & Company), a practice that dates back+A70 to the beginning of the century. The Dow is computed using a priceweighted indexing system, rather than the more common market cap-weighted indexing system.

The Russell 2000® Index measures the performance of the small cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

Treasury Inflation-Protected Securities, or TIPS, provide protection against inflation. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index.

The Bloomberg US Mortgage Backed Securities (MBS) Index tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the United States and Canada. The MSCI EAFE Index consists of the following 21 developed market countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization-weighted index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 26 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

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

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.
Investment-grade Bond (or High-grade Bond) are believed to have a lower risk of default and receive higher ratings by the credit rating agencies. These bonds tend to be issued at lower yields than less creditworthy bonds.

The S&P 500® Index is the Standard & Poor's Composite Index and is widely regarded as a single gauge of large cap U.S. equities. It is market cap weighted and includes 500 leading companies, capturing approximately 80% coverage of available market capitalization.

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Investing involves risk. Principal loss is possible. Investing in ETFs is subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of the shares may trade at a discount to its net asset value (NAV), an active secondary market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a fund’s ability to sell its shares. Shares of any ETF are bought and sold at Market Price (not NAV) and are not individually redeemed from the fund. Brokerage commissions will reduce returns. Market returns are based on the midpoint of the bid/ask spread at 4:00pm Eastern Time (when NAV is normally determined for most ETFs), and do not represent the returns you would receive if you traded shares at other times. Diversification is not a guarantee of performance and may not protect against loss of investment principal.

The Consumer Price Index (CPI) measures the change in prices paid by consumers for goods and services. The CPI reflects spending patterns for each of two population groups: all urban consumers and urban wage earners and clerical workers.

The Personal Consumption Expenditures Price Index is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services. The change in the PCE price index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior. The PCE Price Index is produced by the Bureau of Economic Analysis (BEA), which revises previously published PCE data to reflect updated information or new methodology, providing consistency across decades of data that's valuable for researchers. The PCE price index is used primarily for macroeconomic analysis and forecasting.

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