Economic & Market Outlook

Second Quarter 2023

ClearBridge Investments

FRANKLIN TEMPLETON

Past performance is no guarantee of future results. Financial term and index definitions are available in the appendix.

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S&P 500 & Panic Attacks

"The definition of insanity is doing the same thing over and over again and expecting a different result."
- Attributed to Albert Einstein

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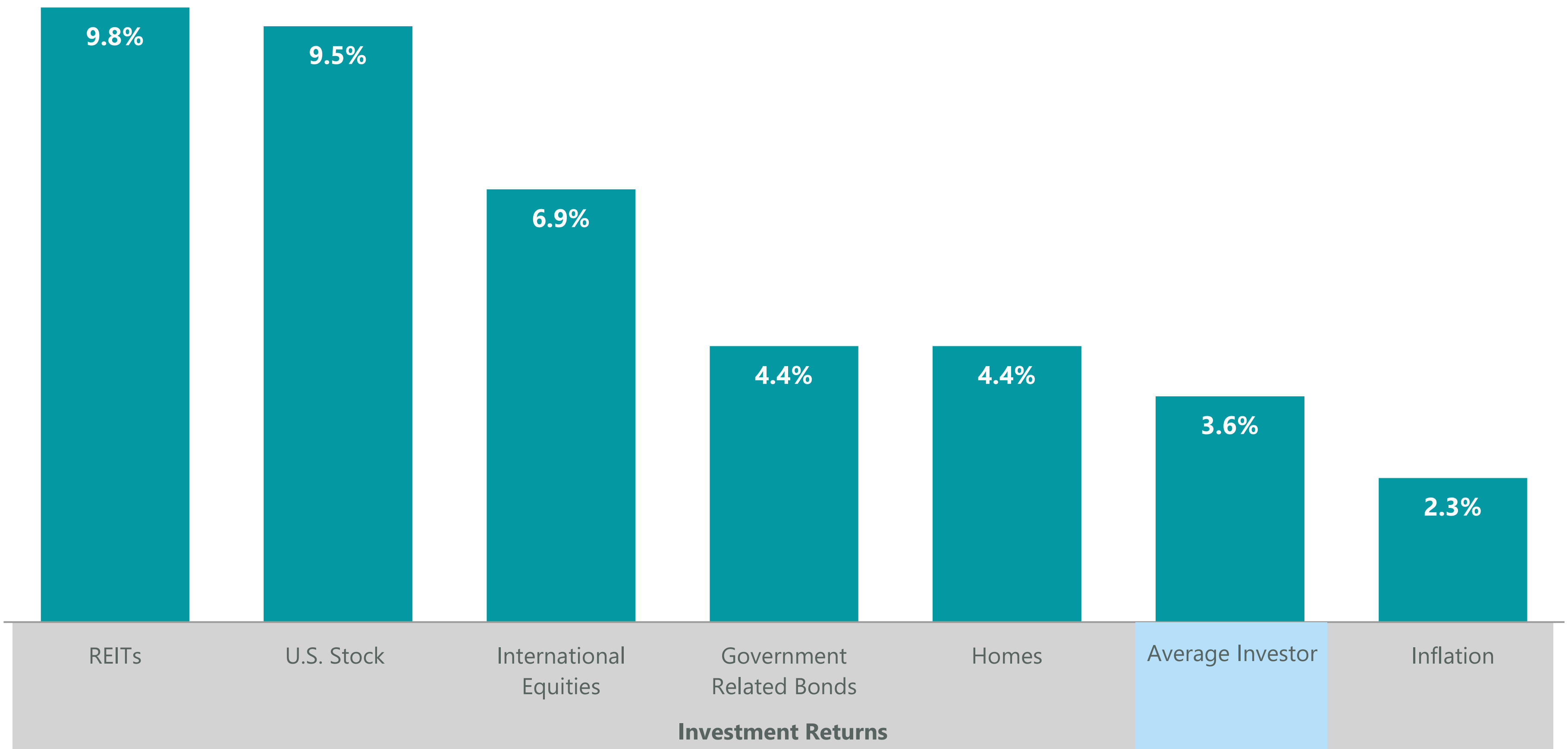
Data as of March 31, 2023. Source: Standard & Poor's. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

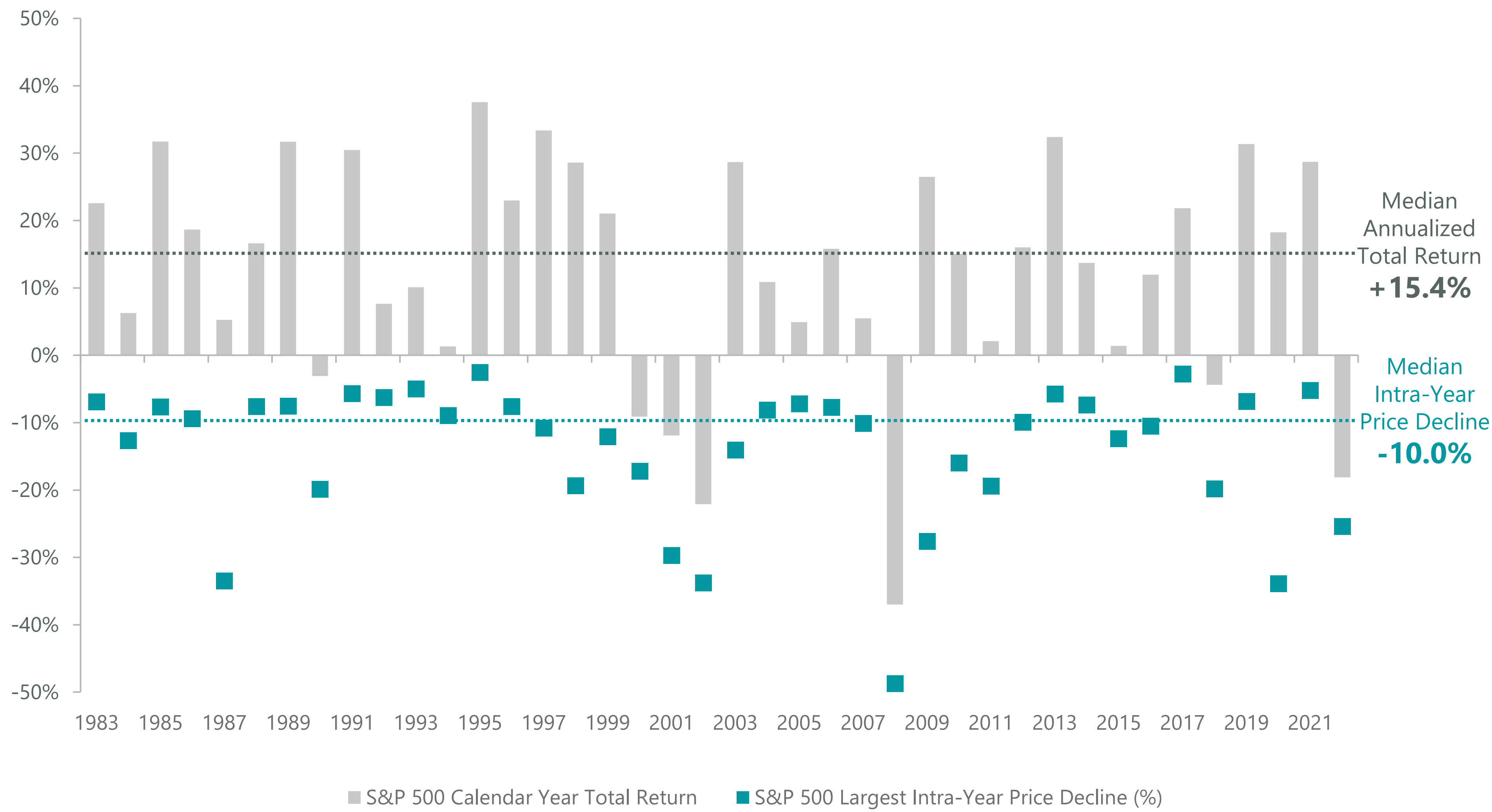
Effects of Panic Attacks on Average Investors

20-Year Annualized Returns (2002-2021)



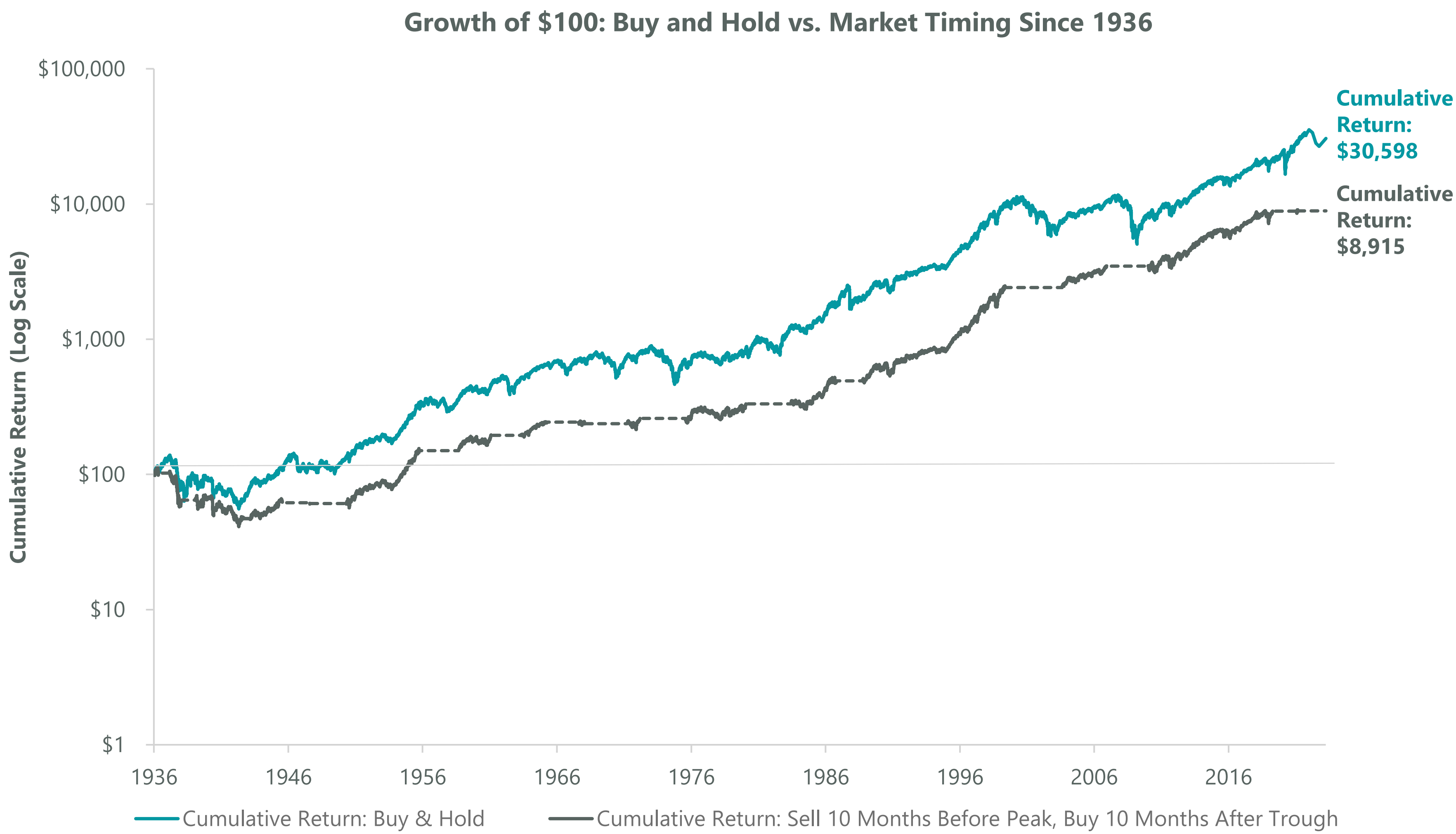
Source: Bloomberg, June 30, 2022. Average asset allocation investor return is based on an analysis by DALBAR, Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Indices shown are as follows: REITs are represented by the NAREIT Equity REIT Index, U.S. Stocks are represented by the S&P 500 Index, International Equities are represented by the MSCI EAFE Index, Government-Related Bonds are represented by the Bloomberg Global Aggregate TR Index, Homes are represented by U.S. existing home sales median price, Inflation is represented by the Consumer Price Index. Indices are unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. **Past performance is no guarantee of future results.**

Volatility Not a Financial Loss Unless You Sell



As of Dec. 31, 2022. Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Can You Time the Market?

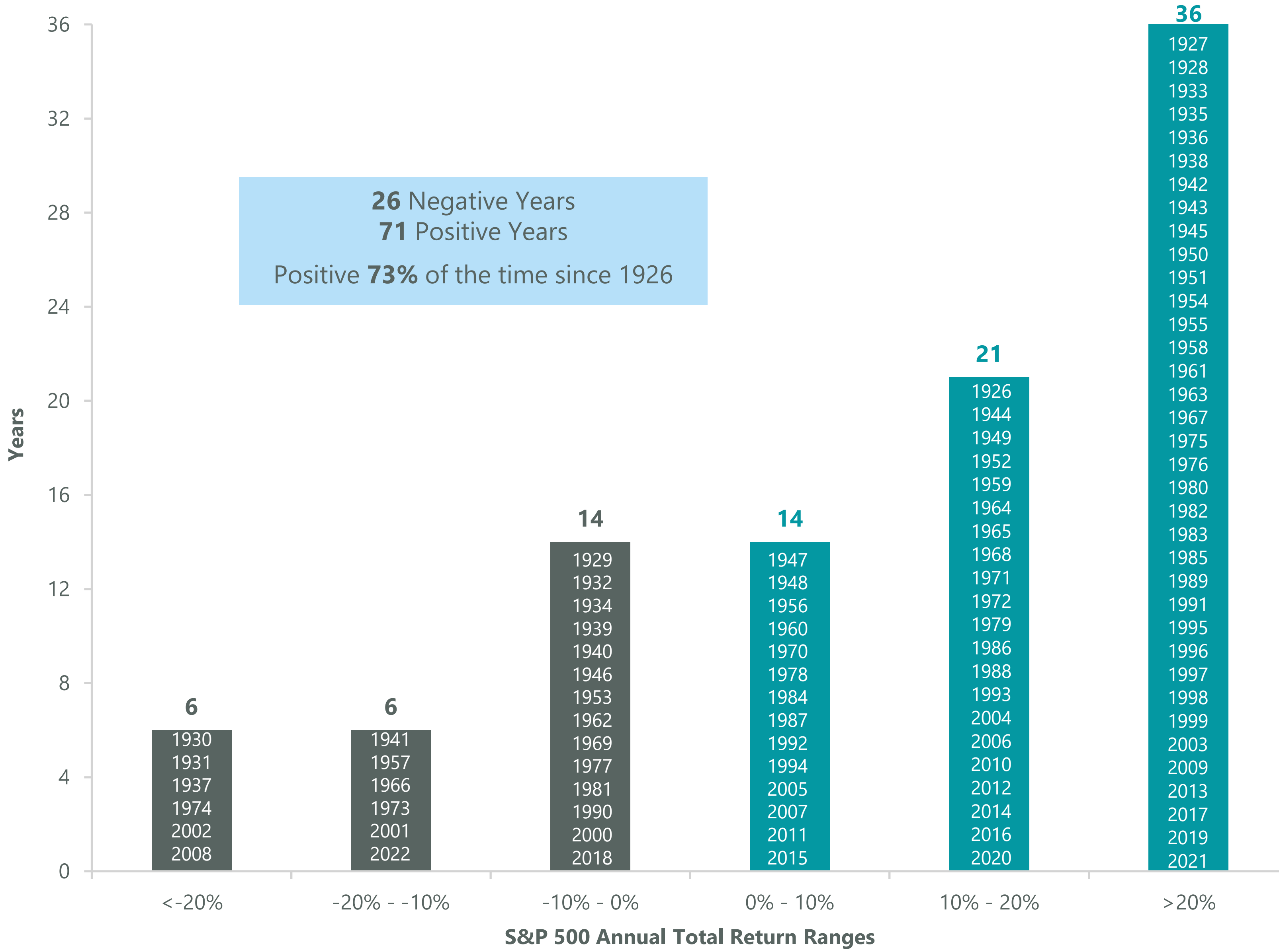


- **Since 1936, an investor that consistently sold 10 months prior to a market peak and bought back 10 months after the trough was worse off overall than a buy-and-hold investor.**

Data as of March 31, 2023. Source: Yardeni Research. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Market Annual Returns

Distribution of S&P 500 Total Returns Since 1926



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As of Dec. 31, 2022. Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Economic Outlook

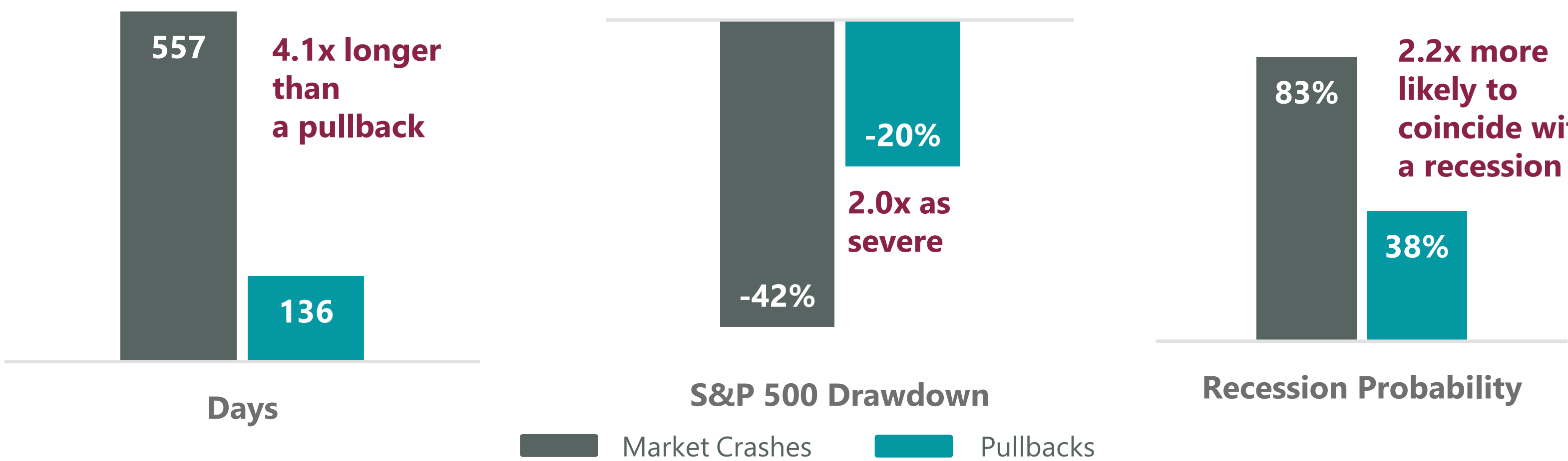
S&P 500 Market Crashes vs. Pullbacks

Market Crashes

Peak	Trough	Days	S&P 500	S&P 500 Return: Peak to Trough +1 Year	Recession
Nov. 1968	May 1970	543	-36%	-8%	Yes
Jan. 1973	Oct. 1974	630	-48%	-29%	Yes
Nov. 1980	Aug. 1982	621	-27%	15%	Yes
Aug. 1987	Dec. 1987	101	-34%	-18%	No
March 2000	Oct. 2002	929	-49%	-32%	Yes
Oct. 2007	March 2009	517	-57%	-27%	Yes
Average		**557**	**-42%**	**-16%**	**83%**

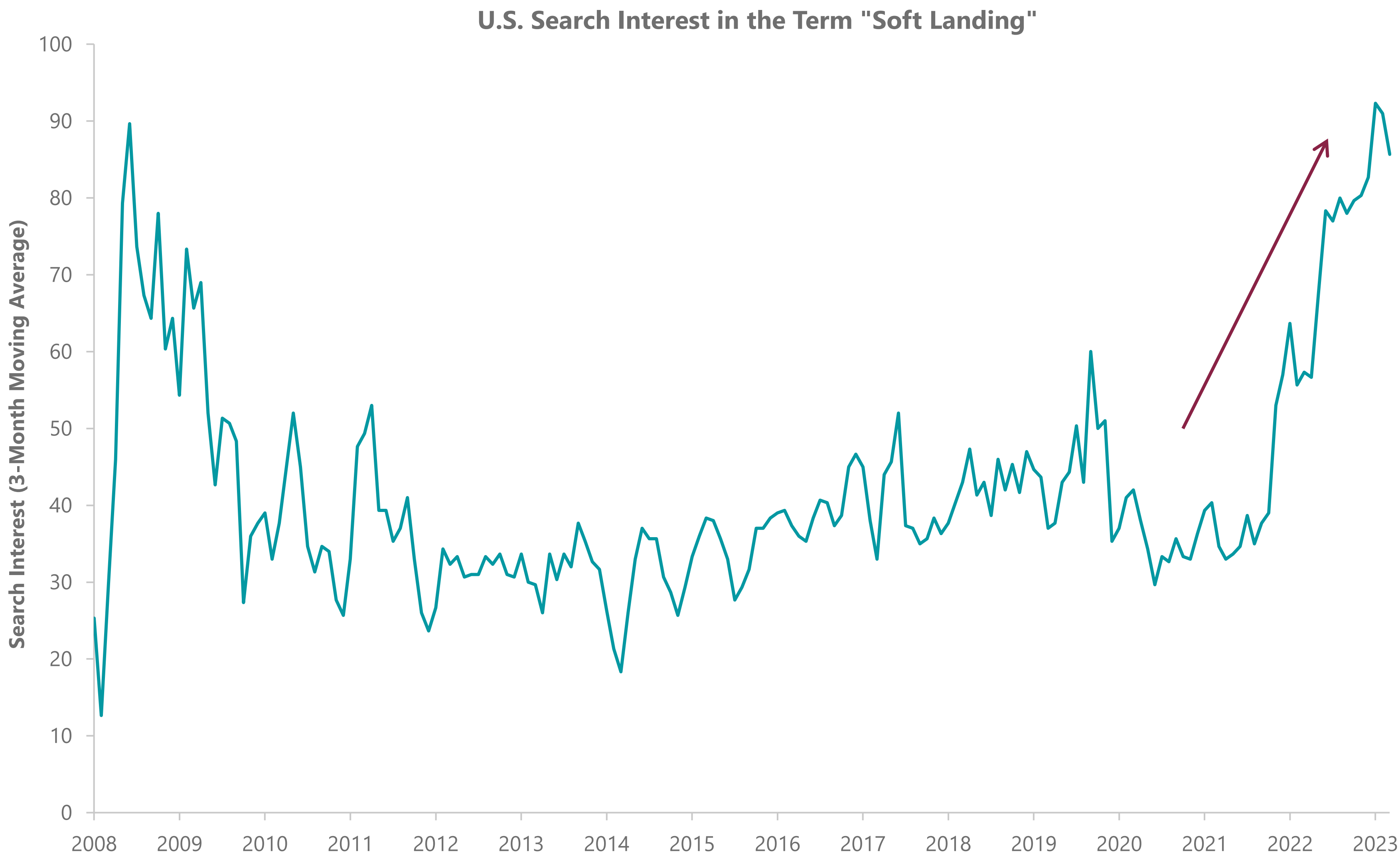
Pullbacks

Peak	Trough	Days	S&P 500	S&P 500 Return: Peak to Trough +1 Year	Recession
Sept. 1976	March 1978	531	-19%	-9%	No
Feb. 1980	March 1980	43	-17%	14%	Yes
July 1990	Oct. 1990	87	-20%	3%	Yes
July 1998	Oct. 1998	83	-19%	13%	No
April 2010	July 2010	70	-16%	10%	No
April 2011	Oct. 2011	157	-19%	6%	No
Sept. 2018	Dec. 2018	82	-19%	10%	No
Feb. 2020	March 2020	33	-34%	15%	Yes
Average		**136**	**-20%**	**8%**	**38%**



Market Crashes defined as decline of 20% or greater in S&P 500 lasting at least 1 year. Pullbacks defined as declines of 15% or greater in S&P 500 (no time component). 1987 decline persisted at 20% or greater loss 1 year after Aug. 1987 peak despite trough coming in Dec. 1987. Source: S&P, NBER, and Bloomberg. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Soft Landing?



Data as of March 31, 2023. Source: Google Trends. Note: 3-Month Moving Average; Search Interest is a relative measure where a value of 100 represents peak popularity and 50 means the term is half as popular. Past performance is not a guarantee of future results.

U.S. Recession Risk Indicators

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- 12 variables have historically foreshadowed a looming recession
- The overall dashboard is currently signaling recession

		Current	Deepening Red Signal		
		Apr. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022
Consumer	Housing Permits	✖	✖	●	●
Consumer	Job Sentiment	✖	●	●	⬆
Consumer	Jobless Claims	●	⬆	⬆	⬆
Consumer	Retail Sales	✖	✖	✖	✖
Consumer	Wage Growth	✖	✖	✖	✖
Business Activity	Commodities	✖	✖	✖	✖
Business Activity	ISM New Orders	✖	✖	✖	✖
Business Activity	Profit Margins	✖	✖	✖	●
Business Activity	Truck Shipments	●	⬆	⬆	⬆
Financial	Credit Spreads	✖	✖	✖	✖
Financial	Money Supply	✖	✖	✖	✖
Financial	Yield Curve	✖	✖	✖	●
	Overall Signal	✖	✖	✖	✖

⬆ Expansion ● Caution ✖ Recession

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Data as of April 30, 2023. Source: BLS, Federal Reserve, Census Bureau, ISM, BEA, American Chemistry Council, American Trucking Association, Conference Board, and Bloomberg. The ClearBridge Recession Risk Dashboard was created in January 2016. References to the signals it would have sent in the years prior to January 2016 are based on how the underlying data was reflected in the component indicators at the time.

U.S. Recession Risk Indicators

- 12 variables have historically foreshadowed a looming recession
- The overall dashboard is currently signaling recession

		Current	2020	2007-2009	2001	1990-1991	1981-1982	1980	1973-1975	1969-1970
Consumer	Housing Permits	✖	⬆	✖	●	✖	✖	✖	✖	✖
	Job Sentiment	✖	●	✖	✖	✖	✖	●	●	●
	Jobless Claims	●	⬆	●	✖	✖	✖	✖	⬆	✖
	Retail Sales	✖	⬆	✖	✖	✖	✖	✖	●	✖
	Wage Growth	✖	✖	✖	✖	✖	✖	✖	✖	✖
Business Activity	Commodities	✖	⬆	✖	✖	✖	✖	●	●	●
	ISM New Orders	✖	●	✖	✖	✖	✖	✖	✖	✖
	Profit Margins	✖	✖	✖	✖	✖	✖	✖	●	✖
	Truck Shipments	●	⬆	●	✖	✖	✖	✖	n/a	n/a
Financial	Credit Spreads	✖	⬆	✖	✖	✖	✖	✖	⬆	●
	Money Supply	✖	⬆	✖	✖	✖	✖	✖	✖	✖
	Yield Curve	✖	✖	✖	✖	✖	✖	✖	✖	✖
	Overall Signal	✖	●	✖	✖	✖	✖	✖	●	✖

⬆ Expansion ● Caution ✖ Recession

ClearBridge Investments

Data as of April 30, 2023. Source: BLS, Federal Reserve, Census Bureau, ISM, BEA, American Chemistry Council, American Trucking Association, Conference Board, and Bloomberg. The ClearBridge Recession Risk Dashboard was created in January 2016. References to the signals it would have sent in the years prior to January 2016 are based on how the underlying data was reflected in the component indicators at the time.

Manufacturing PMI Flashing Red

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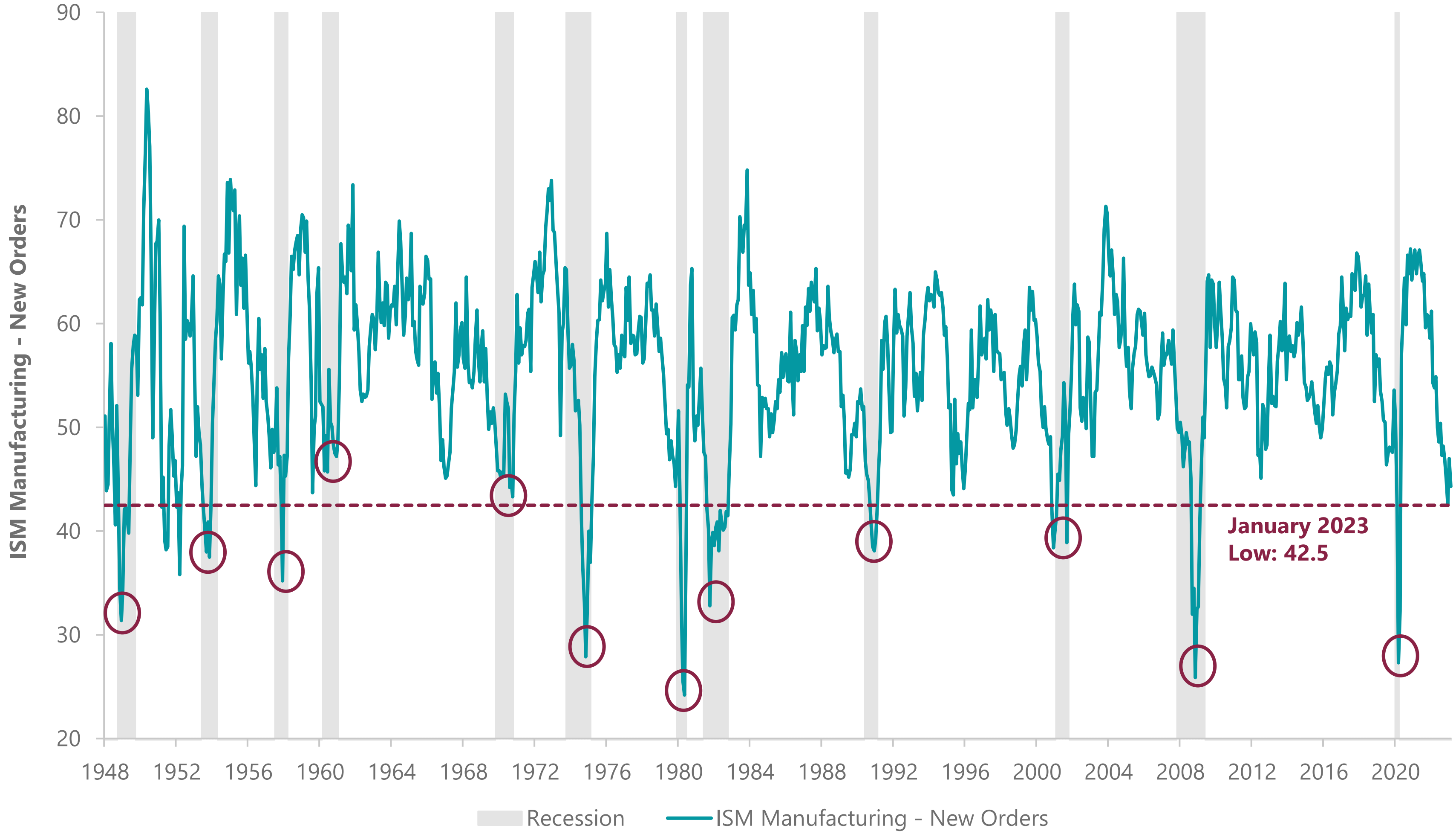

- The ISM Manufacturing PMI - New Orders subcomponent has recently dropped to levels associated with past U.S. recessions.
- The one exception came in the early 1950s as the economy normalized following WWII.

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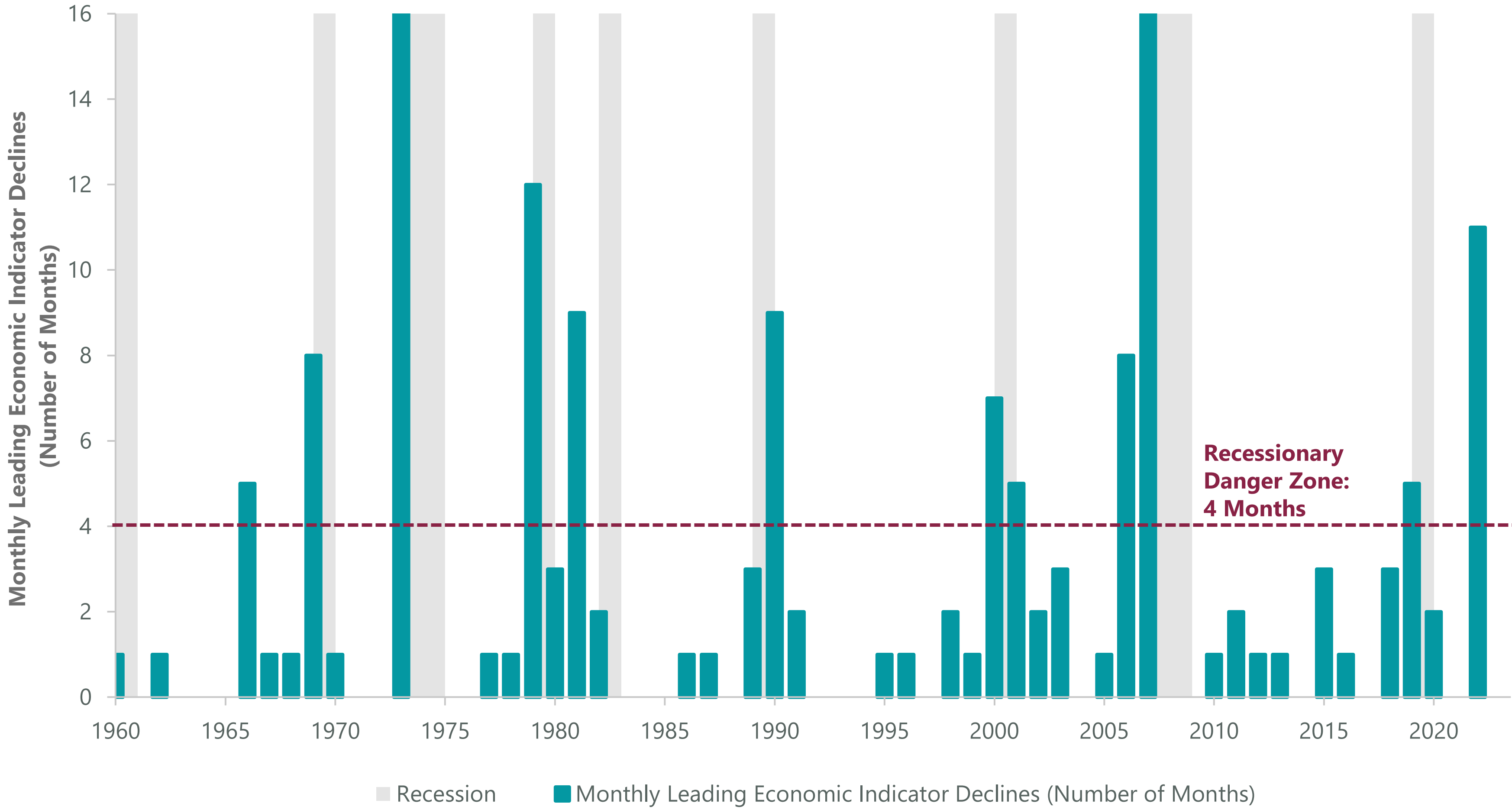
Data as of March 31, 2023. Source: ISM, FactSet, NBER. Past performance is not a guarantee of future results.

Leading Indicators Point to Recession



- **Historical declines in the Leading Economic Indicators lasting more than several months have foreshadowed economic downturns.**
- **The Leading Economic Indicators have been declining for the last eleven months.**

Data as of Feb. 28, 2023, latest available as of March 31, 2023.
Source: Conference Board US and FactSet. Past performance is not a guarantee of future results.

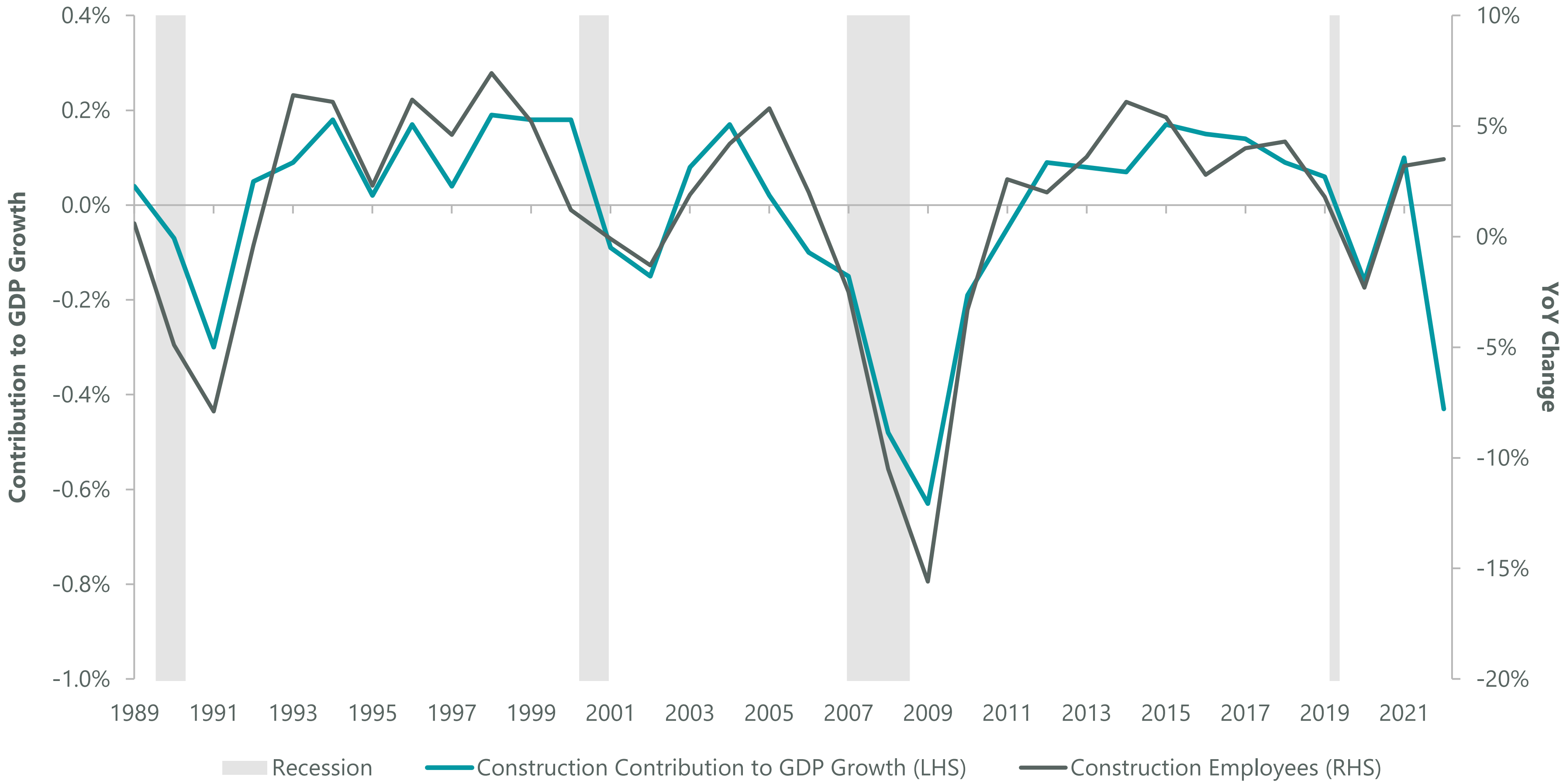
Long and Variable Lags

Start of Persistent* Hike Cycle	Start of Recession	Recession Within 3.5 Years?	Length from Start of Hiking Cycle (Months)
Nov. 1958	April 1960	Yes	17
July 1963	Dec. 1969	No	76
Nov. 1968	Dec. 1969	Yes	12
Jan. 1973	Nov. 1973	Yes	9
Aug. 1977	Jan. 1980	Yes	29
Aug. 1980	July 1981	Yes	11
March 1984	July 1990	No	75
March 1988	July 1990	Yes	27
Feb. 1994	March 2001	No	85
June 1999	March 2001	Yes	20
June 2004	Dec. 2007	Yes	41
Dec. 2016	Feb. 2020	Yes	38
		Average for All Hiking Cycles	**37**
		Average in Recessions	**23**

- **On average, a recession has historically begun a little over three years after a rate hike cycle gains momentum.**
- **In hard landing (recession) scenarios, this timeframe is condensed to just under two years.**

*Persistent Hike Cycle is when the vast majority of Fed rate hikes in a tightening cycle occur, and may not align with initial hike when there have been long delays between initial and subsequent hikes. Source: FactSet. Past performance is not a guarantee of future results.

Construction Layoffs on the Horizon



- **Typically, employment in the construction industry closely tracks construction's contribution to GDP.**
- **This relationship has broken down recently given a backlog of completions. As the pipeline clears, history suggests construction labor should fall.**

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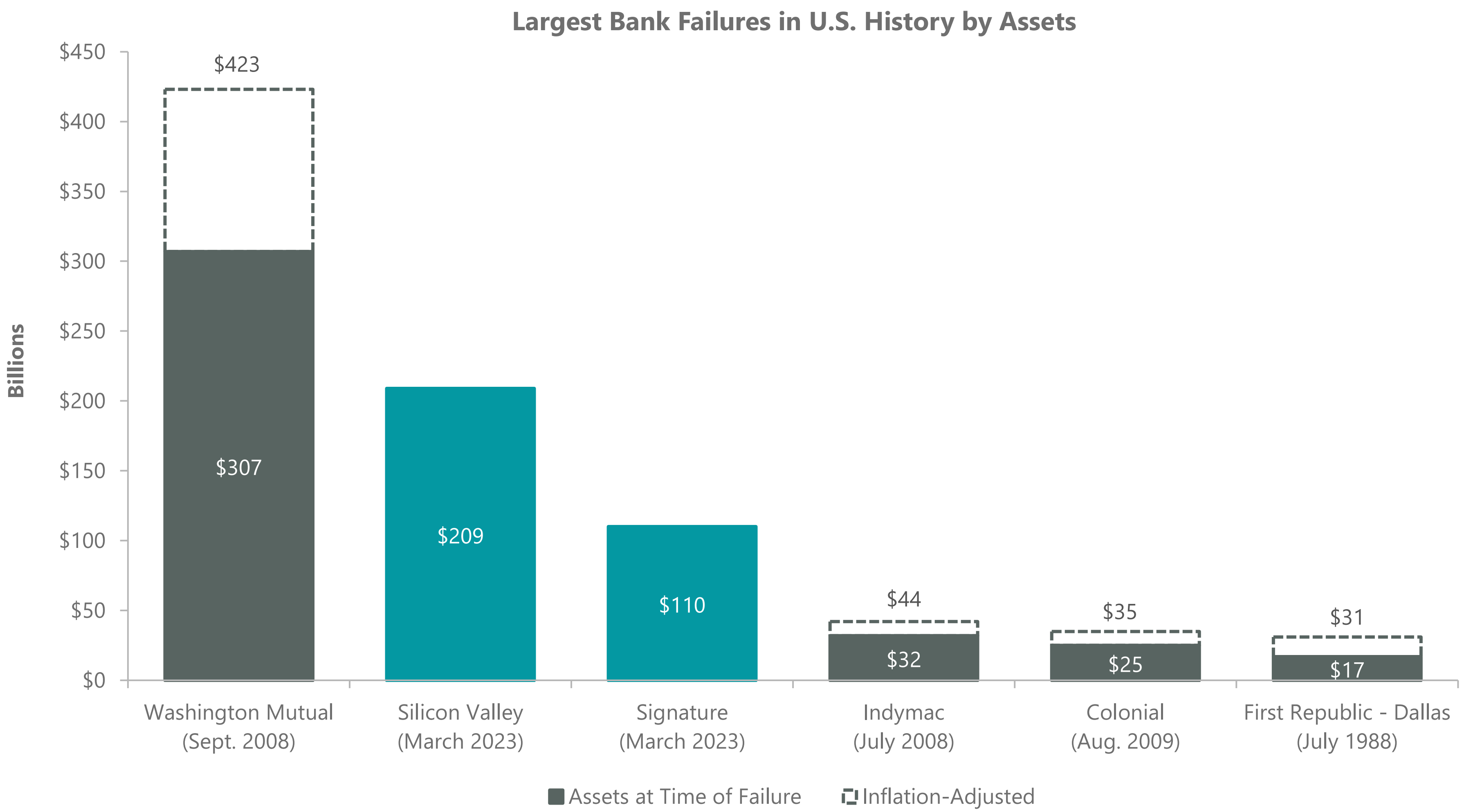
Data as of Dec. 31, 2022, latest available as of March 31, 2023. Source: BEA, BLS, NBER. Past performance is not a guarantee of future results.

The Lagged Effects Are Here



- **Following a year of aggressive rate hikes, the first tangible sign of the lagged effects of tighter monetary policy has arrived.**

As of March 31, 2023. Source: BankRate, BLS and Bloomberg. Assets are rounded to nearest billion. Past performance is not a guarantee of future results.

Lending Standards Retrenching

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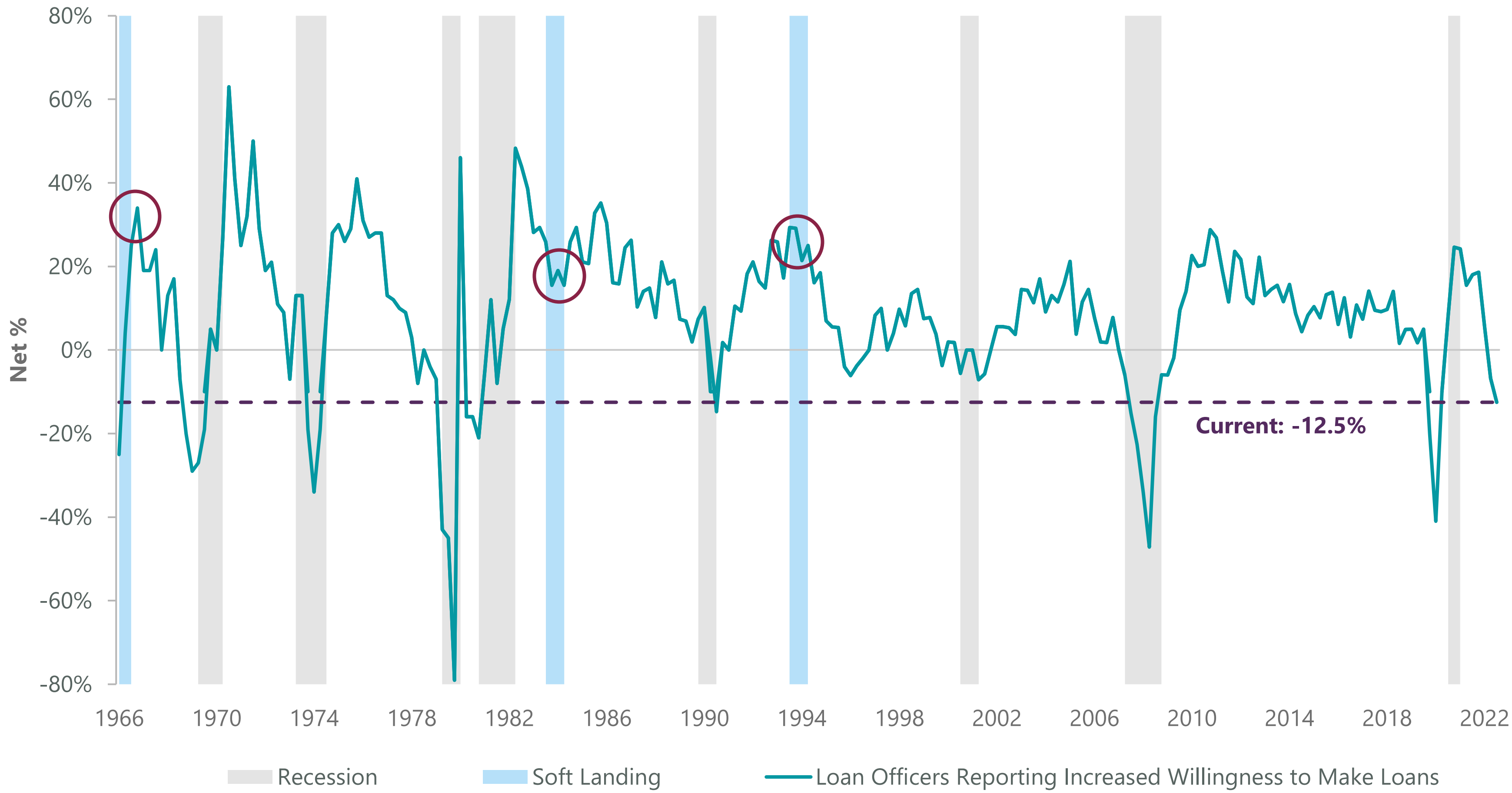

- **Lending standards tightening to the current degree has historically presaged a U.S. economic downturn.**
- **By contrast, soft landings have typically seen more accommodating credit conditions.**

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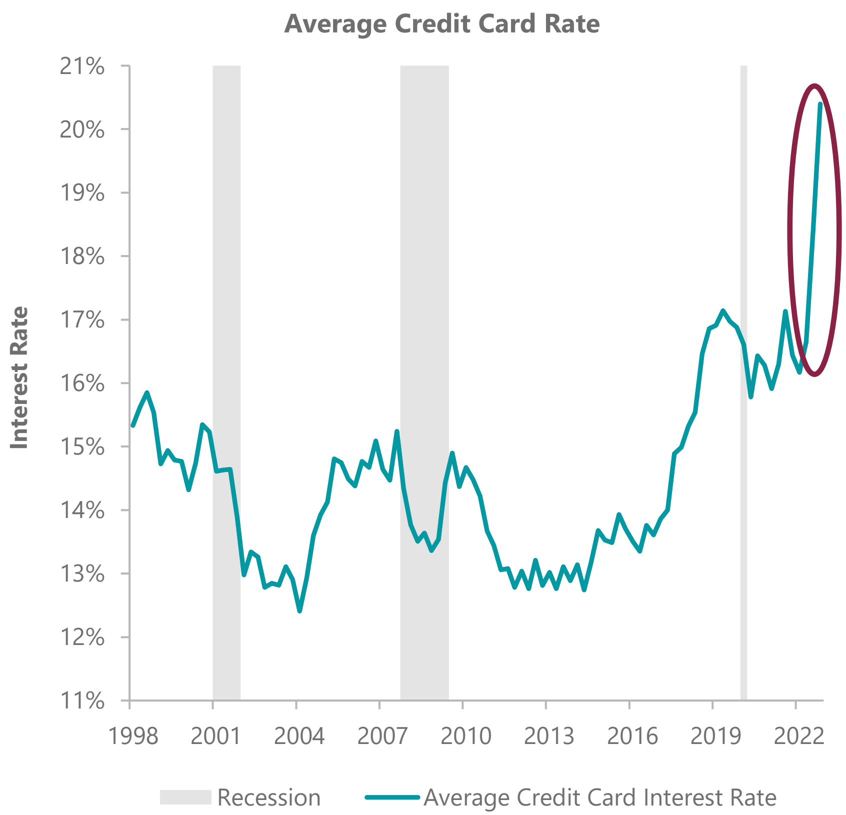
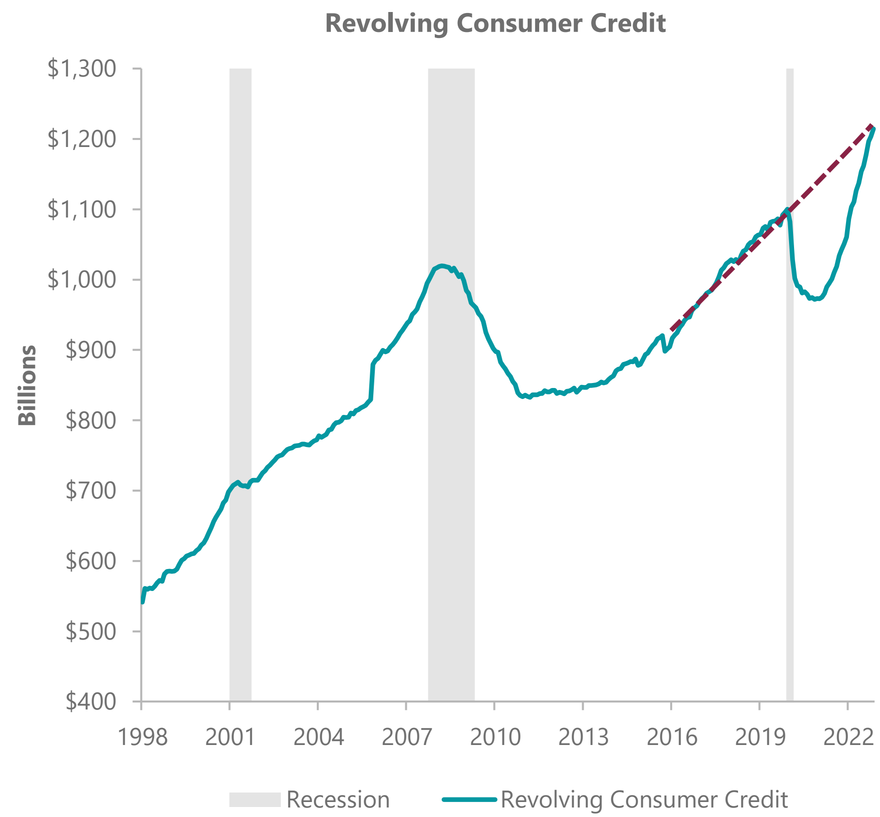
Data as of Jan. 31, 2023, latest available as of March 31, 2023. Sources: Federal Reserve System, Factset. Past performance is not a guarantee of future results.

A Path to Slower Consumption?

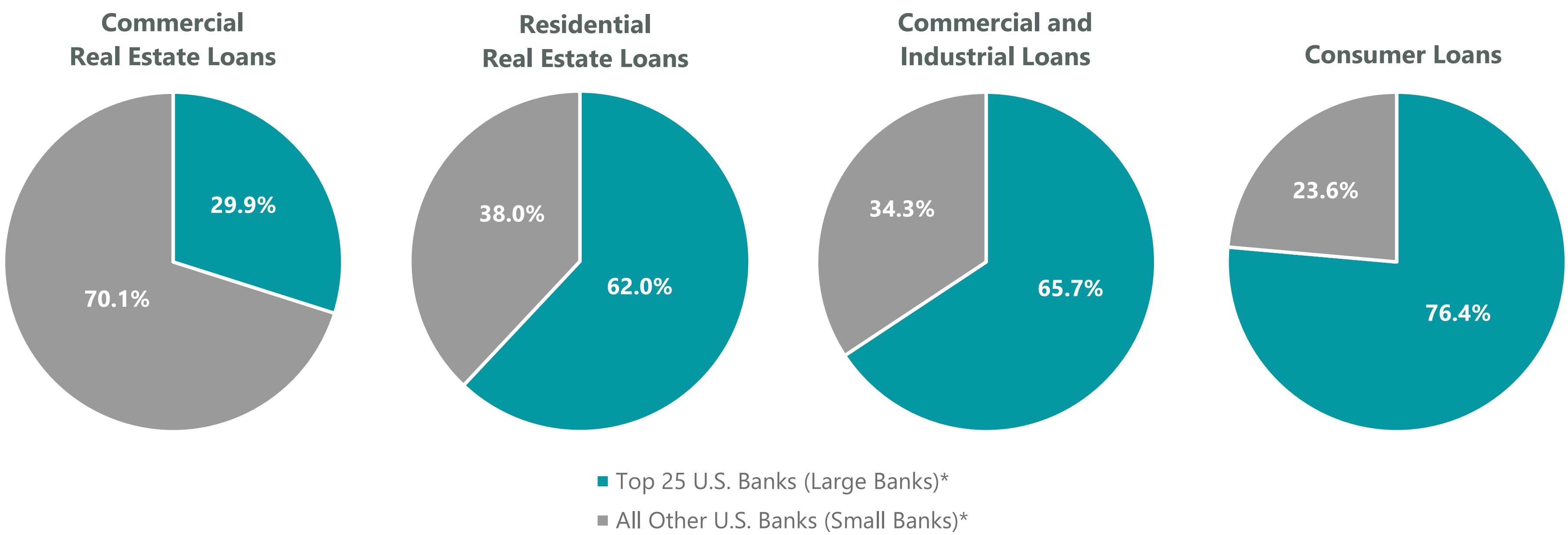




- **The normalization in credit card use has helped fuel consumption (and in turn inflation) even as accumulated savings wane and wage gains moderate.**
- **Spiking credit card rates and the return to pre-pandemic trends in borrowing suggests that debt-fueled consumption will be less of a boost going forward.**

Left chart: Data as of Dec. 31, 2022, latest available as of March 31, 2023. Right chart: Data as of Feb. 28, 2023, latest available as of March 31, 2023. Source: FactSet and Federal Reserve. Past performance is not a guarantee of future results.

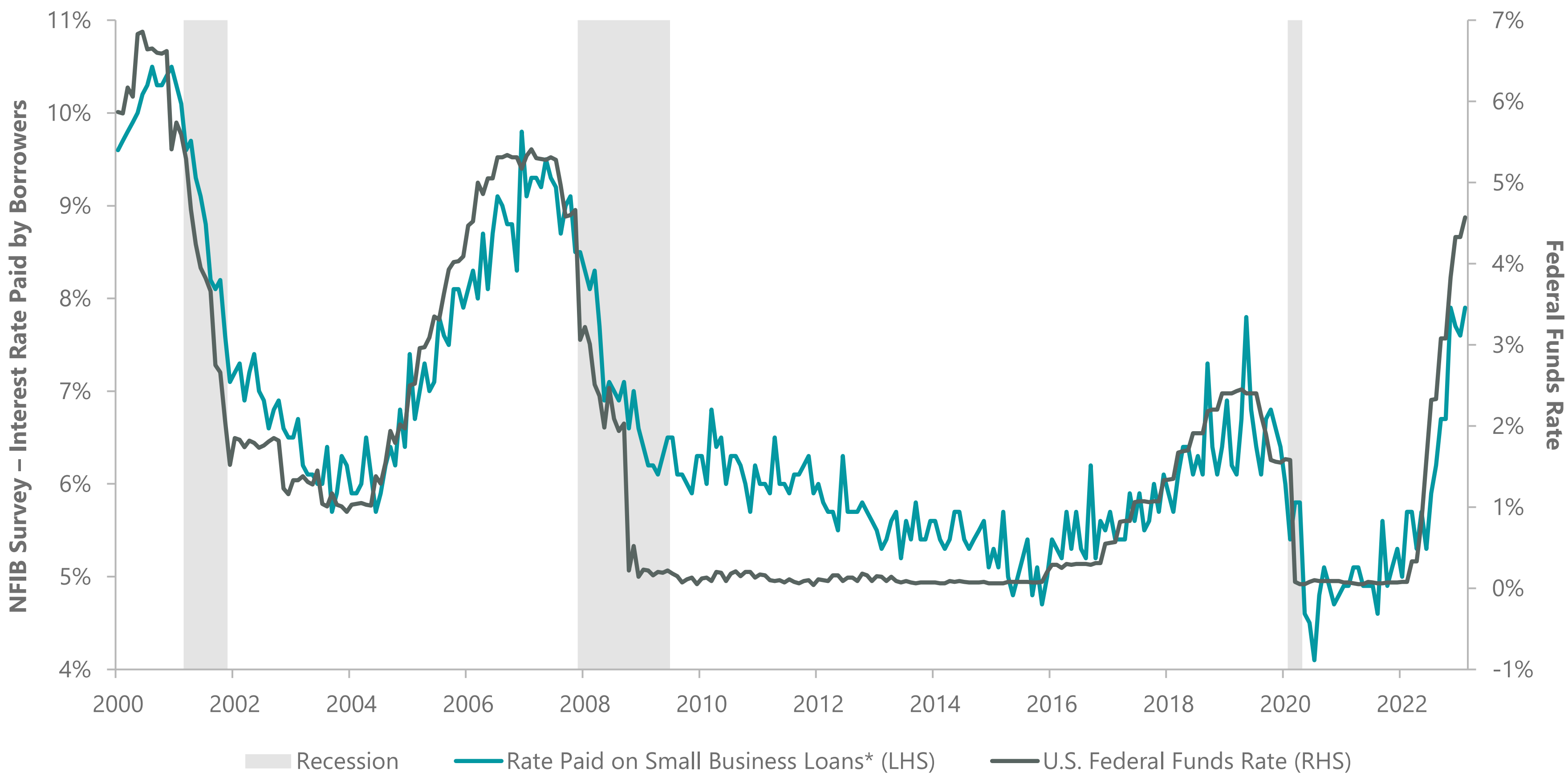
Small Banks Pack a Big Punch



- **Although small banks hold less than 30% of total banking assets, they play a disproportionate role in lending, accounting for 37% of the total and 57% of overall loan growth over the last year.**
- **With small banks under pressure, the overall availability of credit may be constrained.**

*Large banks comprise the top 25 U.S. commercial banks ranked by size of domestic assets – all of which are over $150 billion. Small banks comprise all other U.S. commercial banks with assets under $150 billion.
Data as of March 24, 2023, latest available as of March 31, 2023. Source: Federal Reserve, FactSet. Past performance is not a guarantee of future results.

Hikes Pressuring Small Businesses



- **Small businesses have less access to capital markets than large companies, which means their borrowing costs are more closely tied to actual Fed rate hikes.**
- **By contrast, larger companies experience the effects of tightening earlier as financial markets price in rate hikes in advance.**

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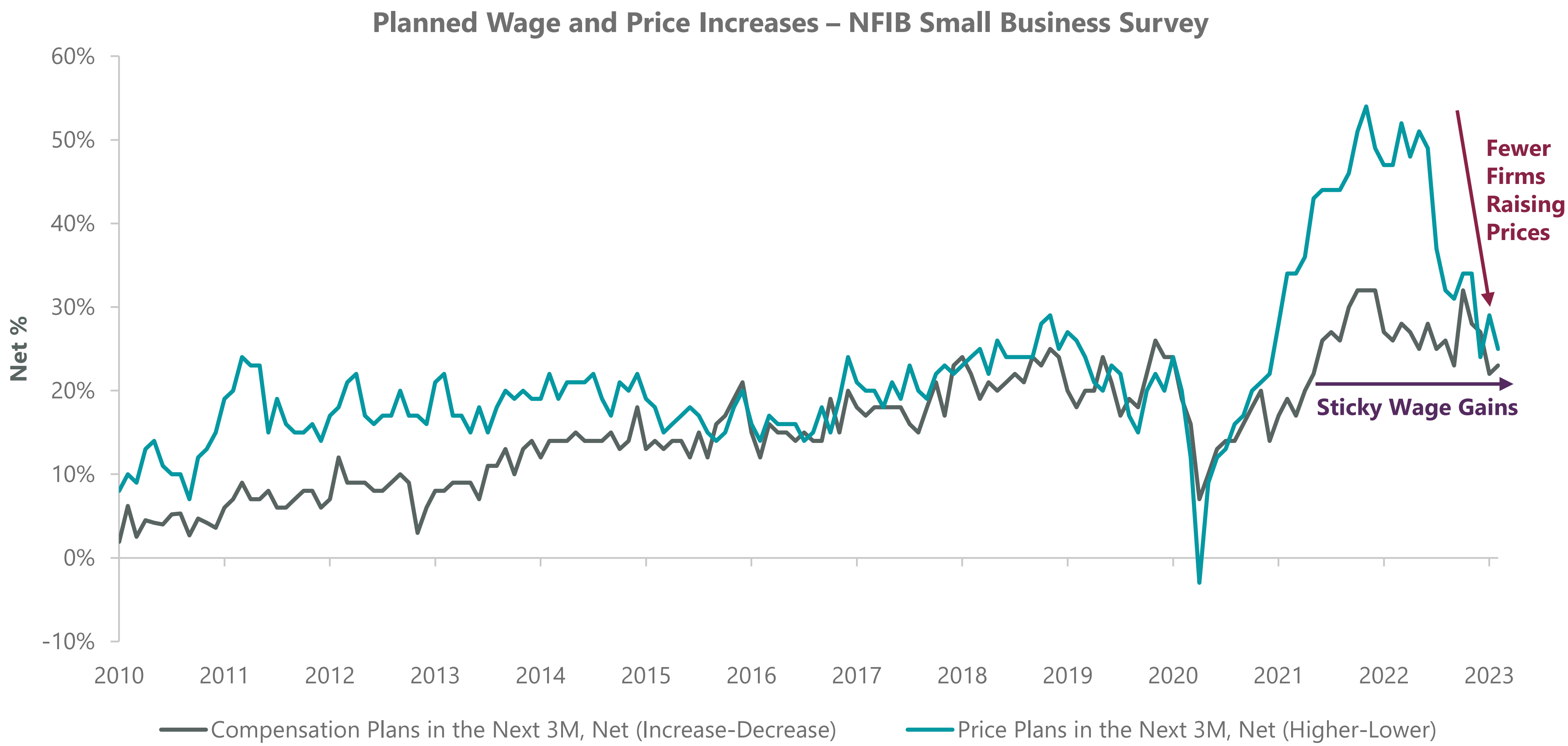
*Actual interest rate paid on short-term loans by borrowers per NFIB Small Business Economic Trends data. Data as of Feb. 28 2023, latest available as of March 31, 2023. Source: NBER, NFIB, Federal Reserve, FactSet.

Small Business Pain Ahead



- **Following a record high in the share of small businesses planning to raise prices last year, slower economic growth and lower inflation are leading many small businesses to calm price hikes into 2023.**
- **With wage gains holding steady, margins could come under pressure and lead to further cost-cutting measures including layoffs.**

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Data as of Feb. 28, 2023, latest available as of March 31, 2023. Source: FactSet, NFIB. Past performance is not a guarantee of future results.

What's The Fed Telling Us?

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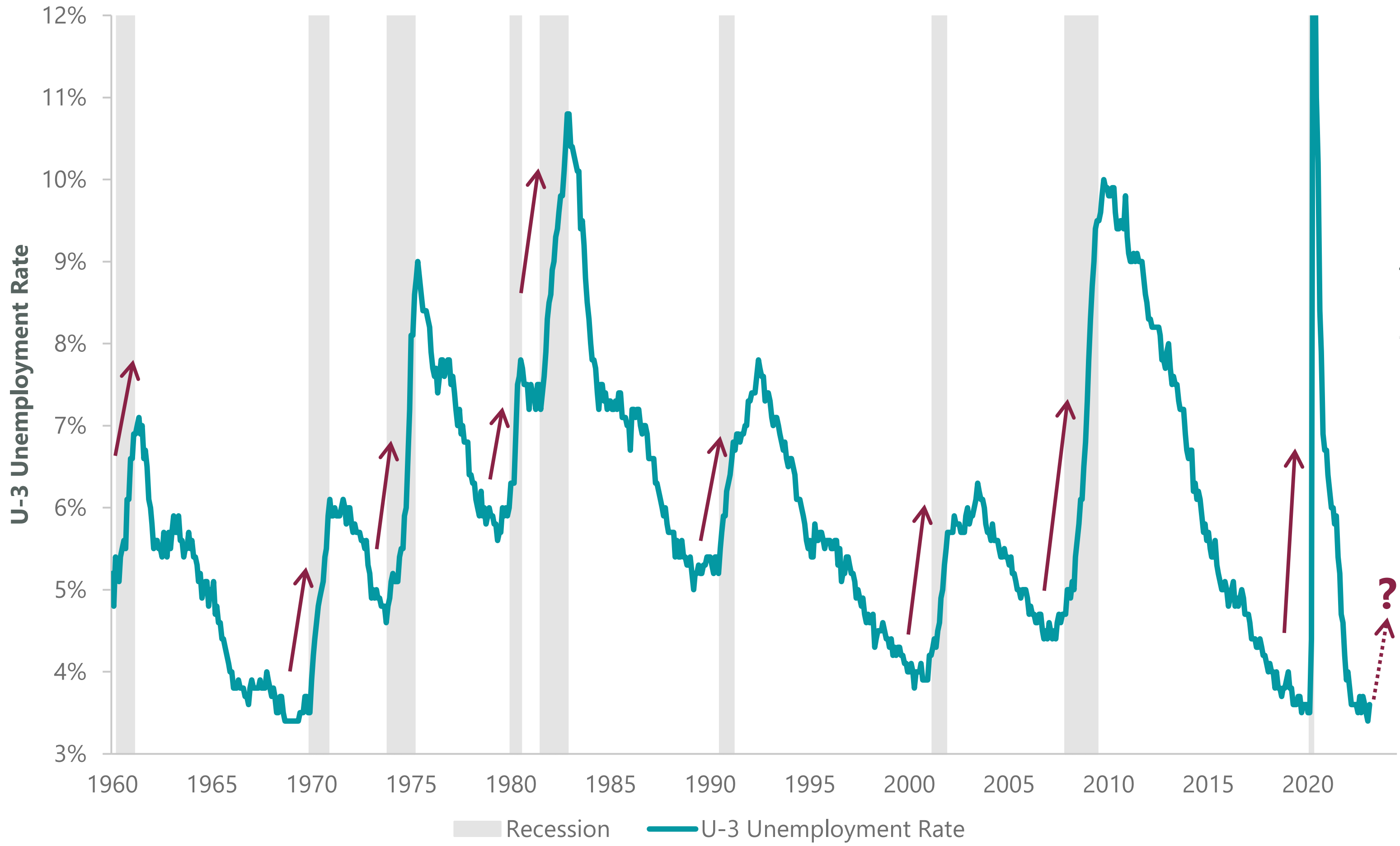

	Fed Projection
Current	3.6%
12/31/23	4.5%
12/31/24	4.6%
12/13/25	4.6%

- **Historically, an increase of 0.5% (or more) in the unemployment rate vs. the lows over the prior year has signaled a recession (the Sahm Rule).**
- **The Fed Dot Plot signals an expected 0.9% increase in the unemployment rate next year on top of the 0.2% rise that has already happened.**

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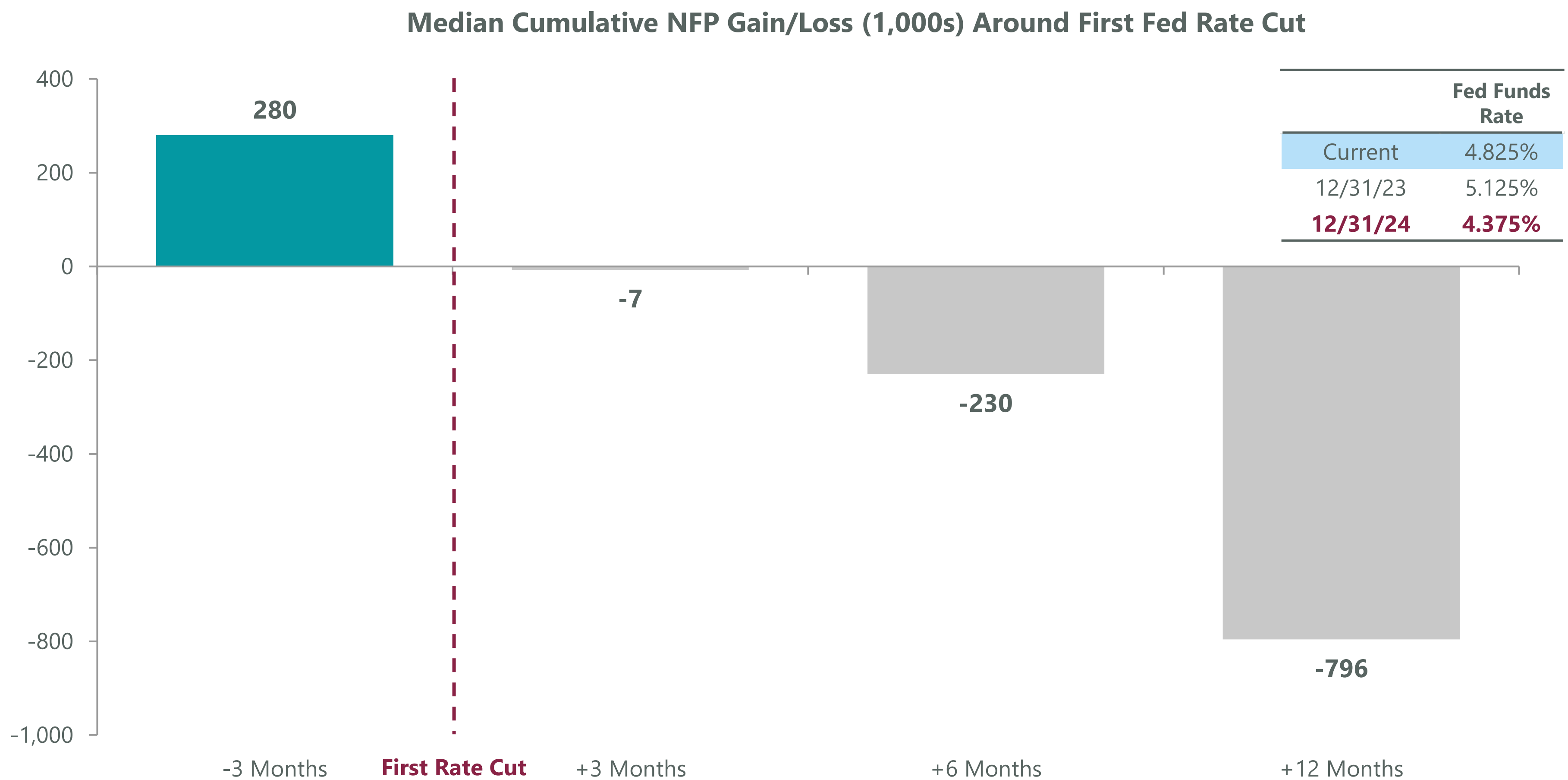
The Sahm Rule refers to an increase in the 3-month moving average. Data as of Feb. 28, 2023, latest available as of March 31, 2023. Source: FactSet, BLS, Federal Reserve Bank of St. Louis.

The Fed Has Little Tolerance For Job Losses



- **Typically, the Fed anticipates layoff cycles (which tend to lag) and is quick to ease monetary policy as the labor market softens.**
- **The Fed Dot Plot implies 1.5 million job losses along with further rate hikes in the coming year. No cuts are expected until 2024 which is a departure from previous cycles.**

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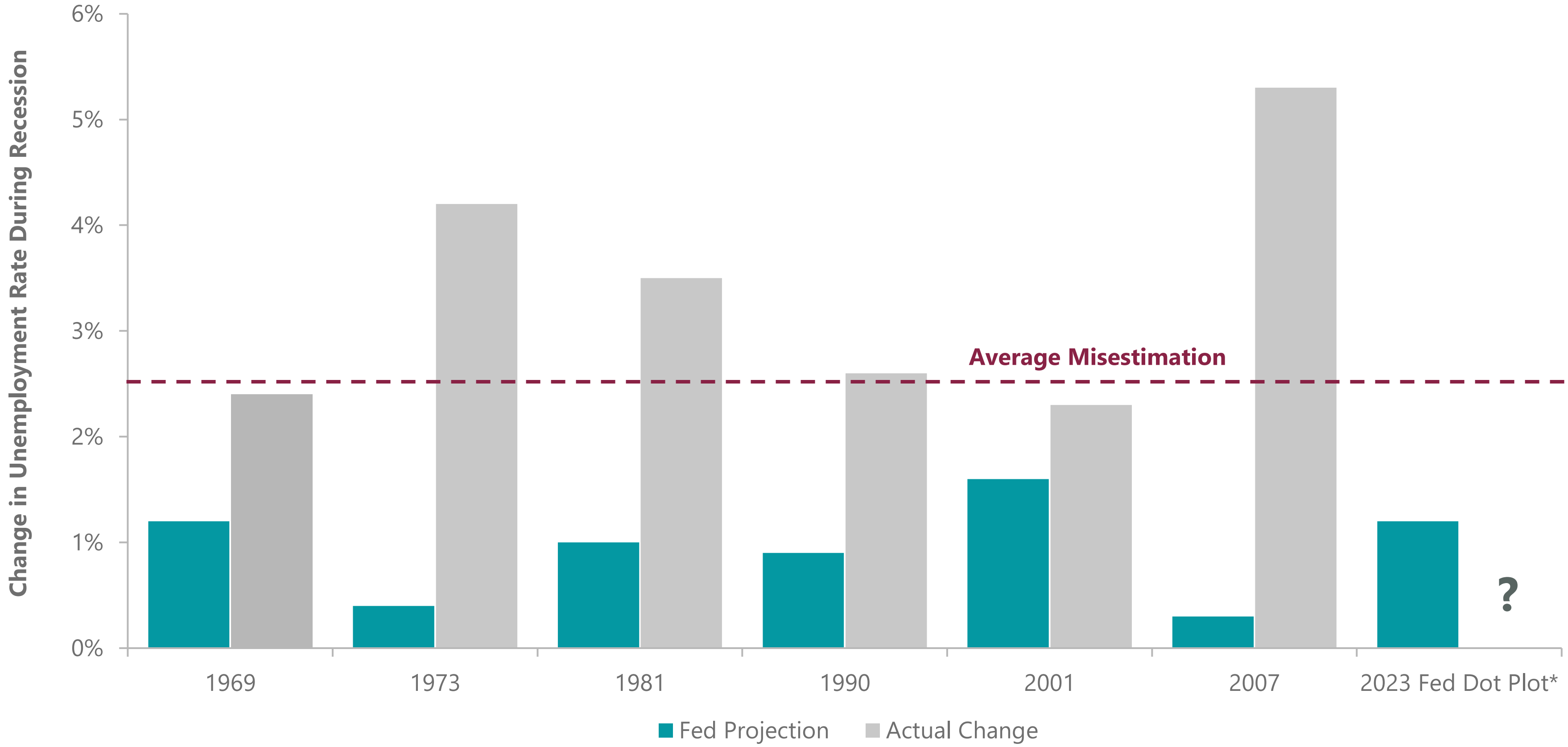
Data as of March 31, 2023. Source: FactSet, BLS. Past performance is not a guarantee of future results.

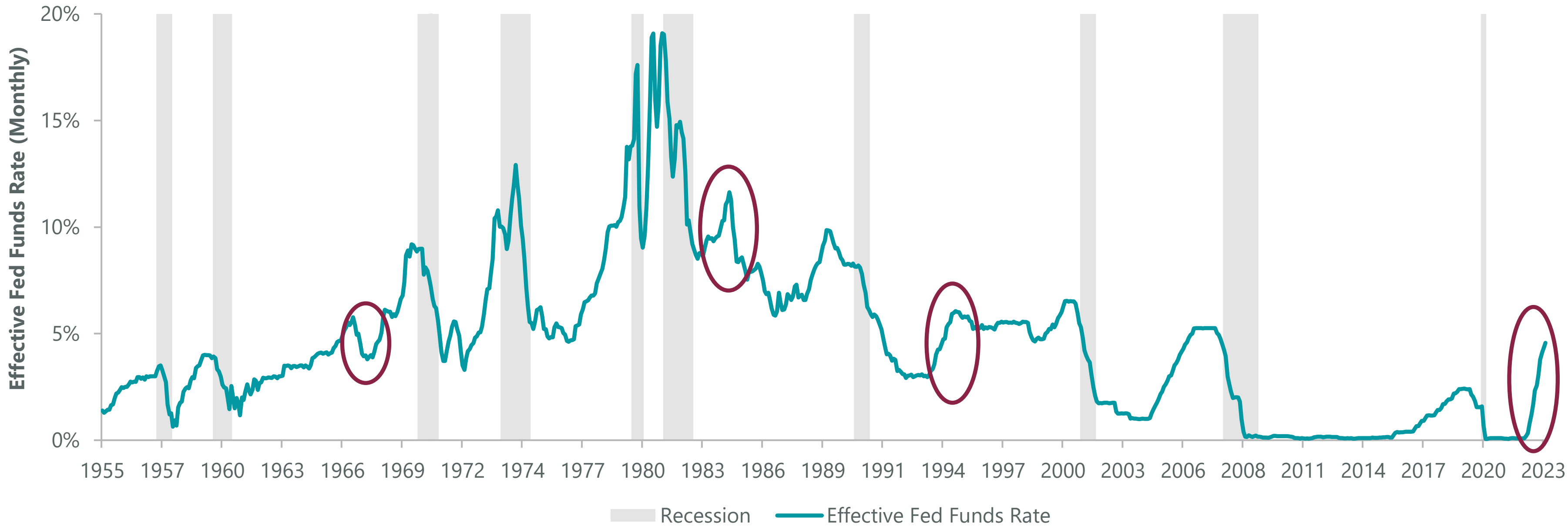
The Fed's Rose-Colored Glasses



- **The Fed underestimates the pain in labor markets experienced during a recession by 2.5% on average.**
- **Although the Fed Dot Plot suggests unemployment rising to the mid-4% range, history suggests something even higher.**

*2023 Fed Dot Plot is for a 4.6% unemployment rate vs. a recent low of 3.4%.
Data as of March 31, 2023. Source: FactSet, Philadelphia Fed Tealbook database, Federal Reserve Bank of St. Louis.
Past performance is not a guarantee of future results.

Don't Make the Same Mistake Twice



			Core Consumer Price Index YoY Percent Change			Unemployment Rate	
	Overall Recession Signal	Total Fed Rate Cut	Fed Pivot (or Current)	+12 Months	+36 Months	Fed Pivot (or Current)	Labor Market
December 1966	✕	-2.0%	3.3%	3.8%	6.2%	3.8%	Tight
September 1984	⬆	-5.8%	5.1%	4.0%	4.3%	7.3%	Excess
July 1995	●	-0.8%	3.0%	2.7%	2.2%	5.7%	Slack
Current			***5.5%***			***3.6%***	

- **Historically, there have been 13 primary Fed tightening cycles, with 10 ending in a recession and 3 soft landings.**
- **With a tight labor market today similar to 1966, the Fed is likely wary of pivoting too early which could give way to a reacceleration of inflation.**

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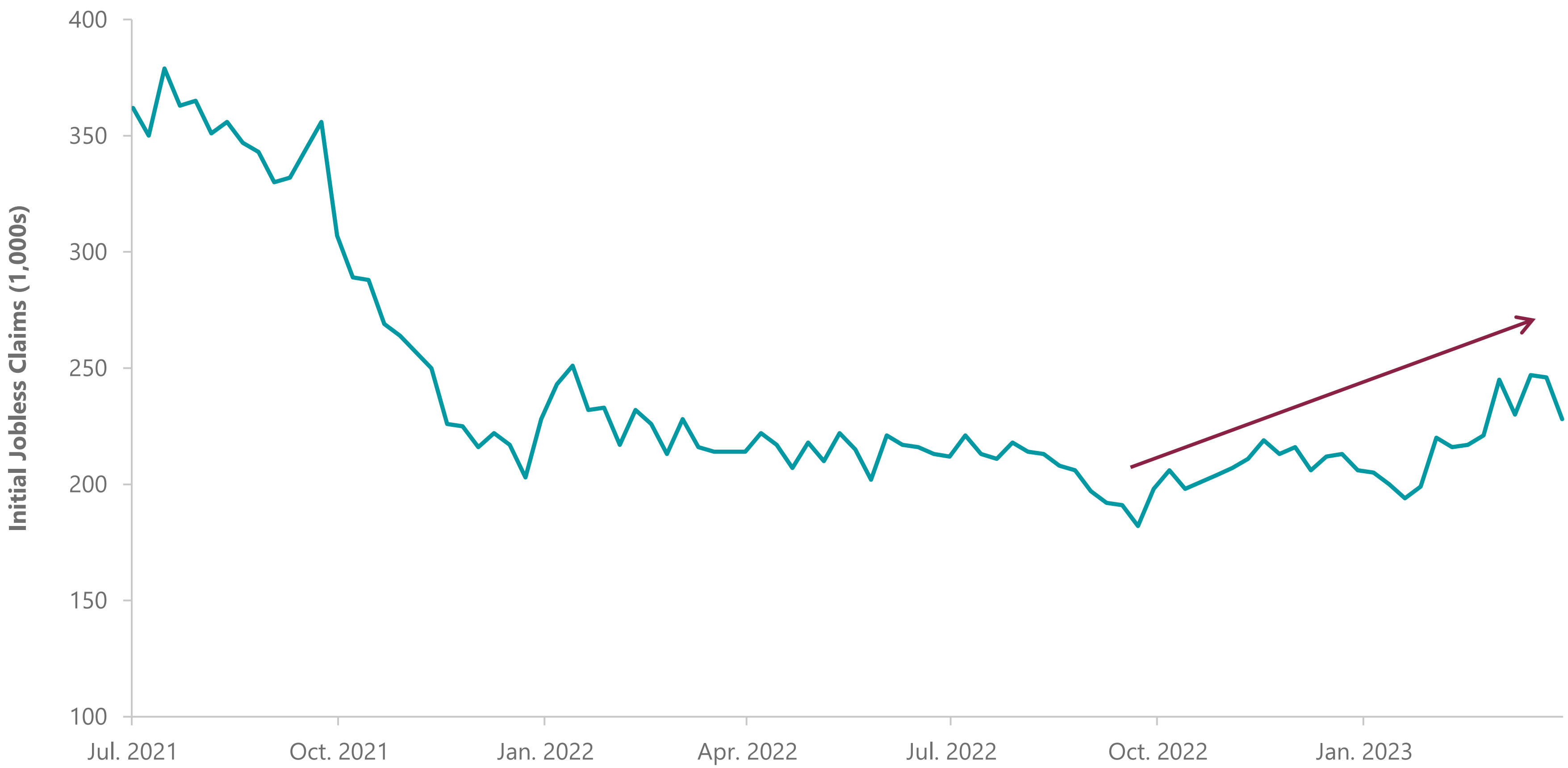
Data as of Feb. 28, 2023, latest available as of March 31, 2023. Source: BLS, Federal Reserve Bank of St. Louis, FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

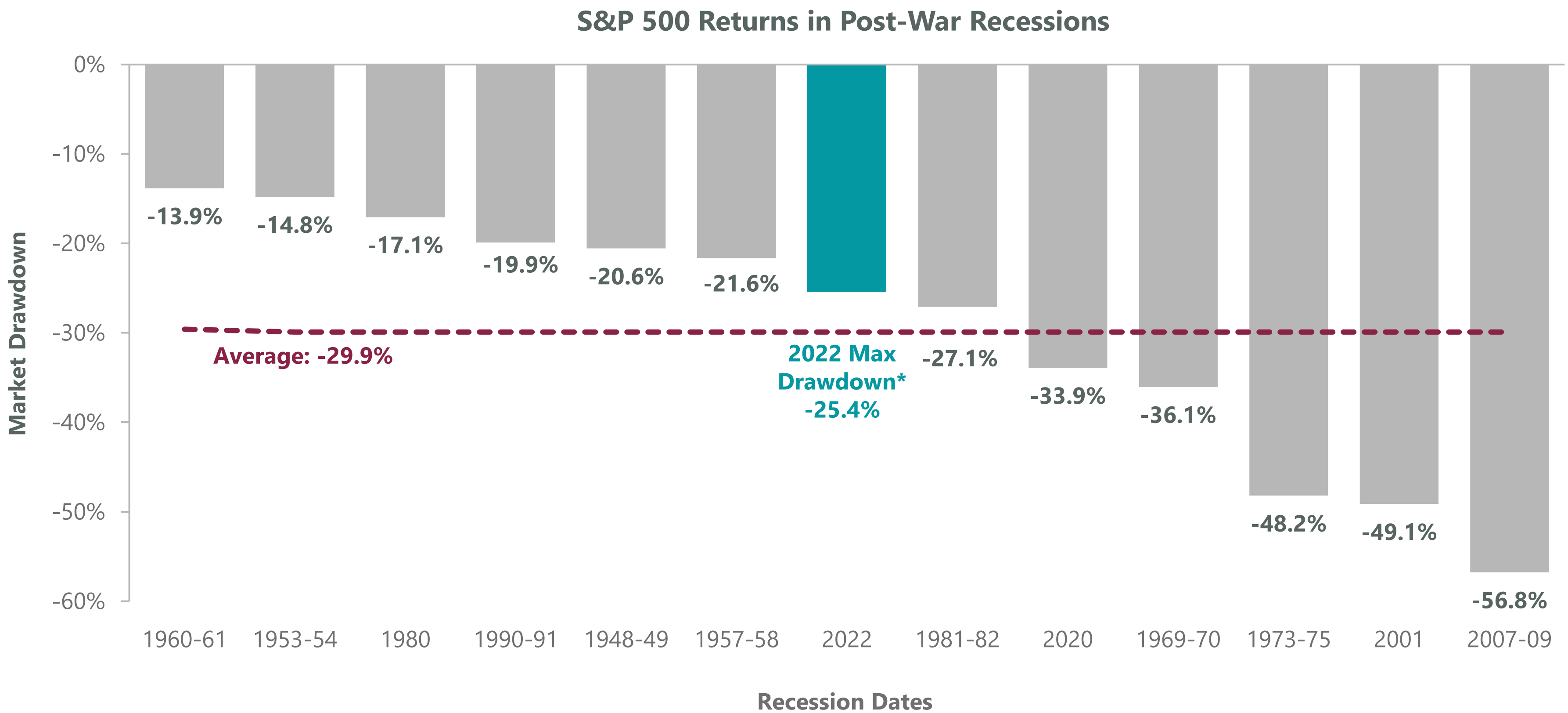
Canary in the Coal Mine



- **Jobless claims have been mostly steady since hitting 53-year lows in 2022, but appear to be climbing higher more recently.**
- **Initial jobless claims have been one of the best high-frequency indicators on the ClearBridge Recession Risk dashboard, making them particularly insightful into the health of this expansion.**

Market Outlook

Are We There Yet?



- **Since World War II, the average recessionary selloff has been -29.9%, a level the current selloff is approaching but has not yet reached.**

*Max drawdown reflects the 2022 Peak-Trough from market close on Jan. 3 to Oct. 12, 2022. Data as of Dec. 31, 2022. Source: FactSet, S&P, Shiller data, Haver, Deutsche Bank. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Cart Before the Horse?

Recession Start	Recession End	Length (Months)	Market Low During Recession?	Distance from Recession Start (Months)	Distance from Recession End (Months)
Nov. 1948	Oct. 1949	11	Yes	6	-5
July 1953	May 1954	10	Yes	1	-9
Aug. 1957	April 1958	8	Yes	2	-6
April 1960	Feb. 1961	10	Yes	6	-4
Dec. 1969	Nov. 1970	11	Yes	5	-6
Nov. 1973	March 1975	16	Yes	10	-6
Jan. 1980	July 1980	6	Yes	2	-4
July 1981	Nov. 1982	16	Yes	12	-4
July 1990	March 1991	8	Yes	2	-6
March 2001	Nov. 2001	8	No	18	10
Dec. 2007	June 2009	18	Yes	14	-4
Feb. 2020	April 2020	2	Yes	1	-1
Average:		**10.3**		**6.6**	**-3.8**

- **Historically, market lows have come around the two-thirds mark during recessions.**
- **The strength of the labor market would suggest this point is not yet on the immediate horizon.**

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Note: Distance from Recession Start and Distance from Recession End do not add to Length due to rounding. Source: NBER, S&P, FactSet, and Bloomberg. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

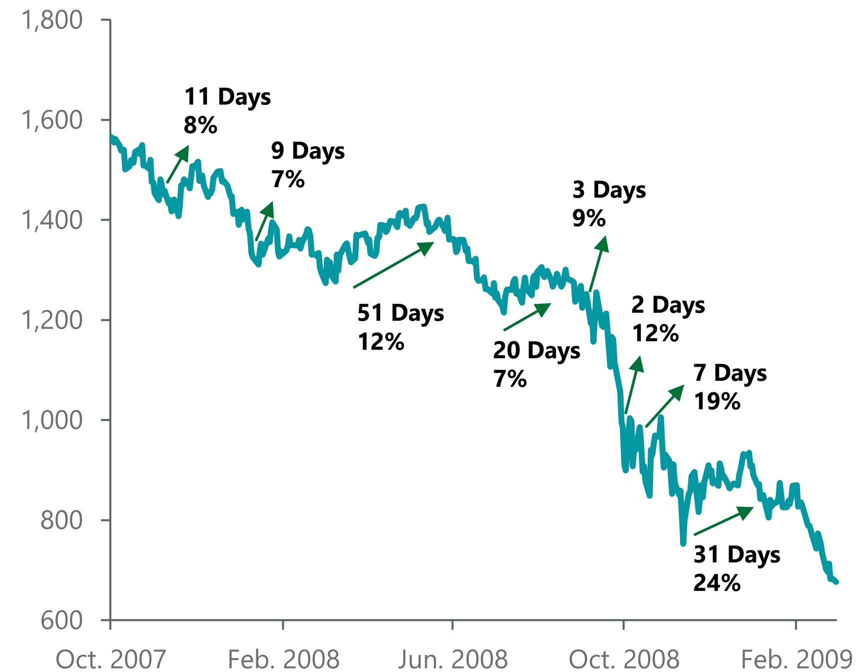
Counter Trend Rallies Are Commonplace

Recessionary Bear Markets Often See Pockets of Strength

Largest Historical Recessionary Counter Trend Rallies

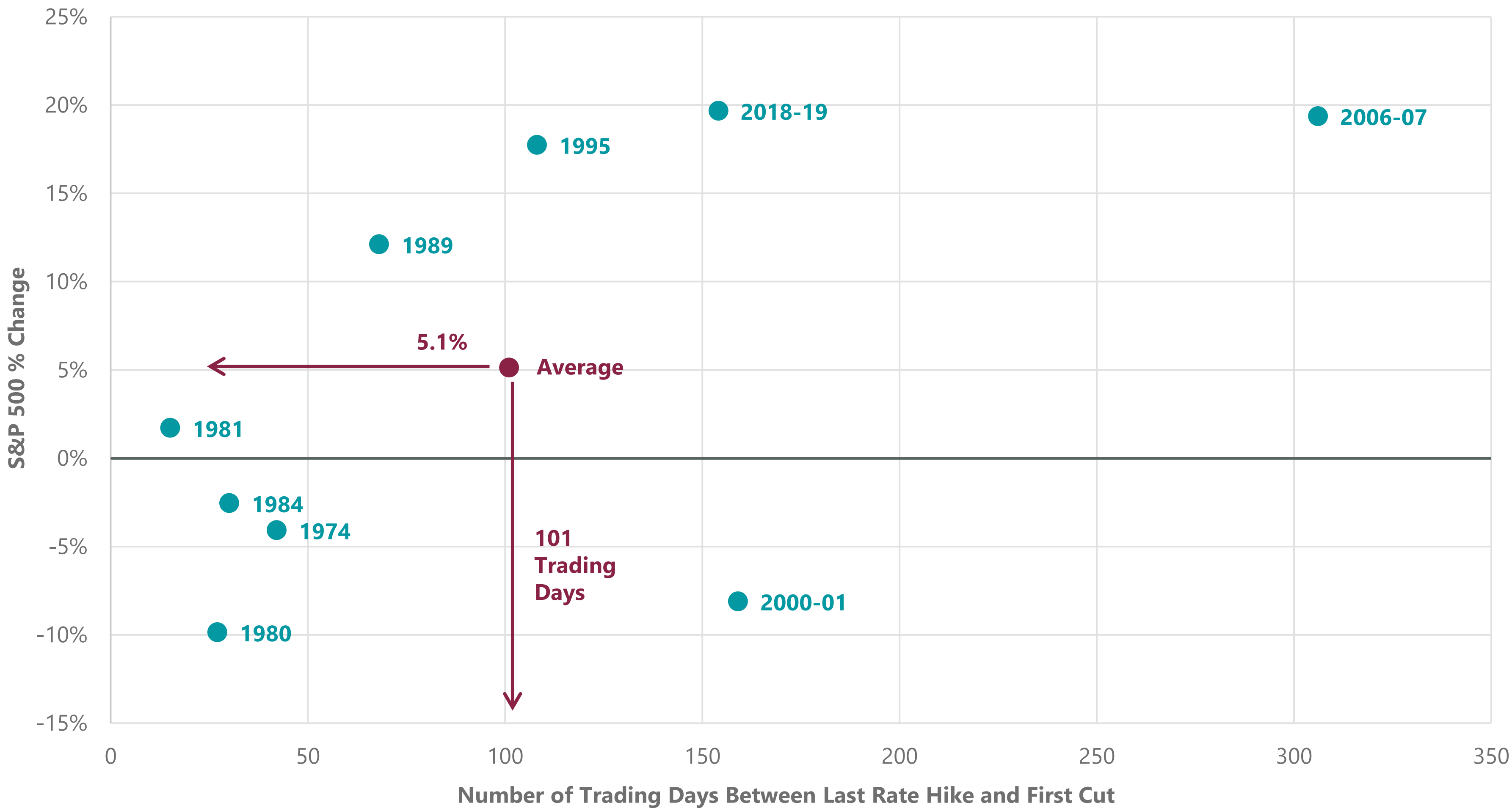
Recession Start	Recession End	Largest Counter Trend Rally
Dec. 1969	Nov. 1970	6%
Nov. 1973	Mar. 1975	10%
Aug. 1973	Oct. 1973	11%
Jan. 1980	July 1980	4%
Jul. 1981	Nov. 1982	12%
Jul. 1990	Mar. 1991	6%
Mar. 2001	Nov. 2001	19%
Dec. 2007	June 2009	24%
Feb. 2020	Apr. 2020	9%
Average:		**11%**
Current:		**17%**

S&P 500 Counter Trend Rallies: 2007-2009



Data as of March 31, 2023. Source: National Bureau of Economic Research, FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

The Final Hurrah



- **On average, the market rallies 5% during the period between the final rate hike and the first cut.**
- **However, there has been a wide range of outcomes in terms of market return (and length of pause) depending on the particulars of each cycle.**

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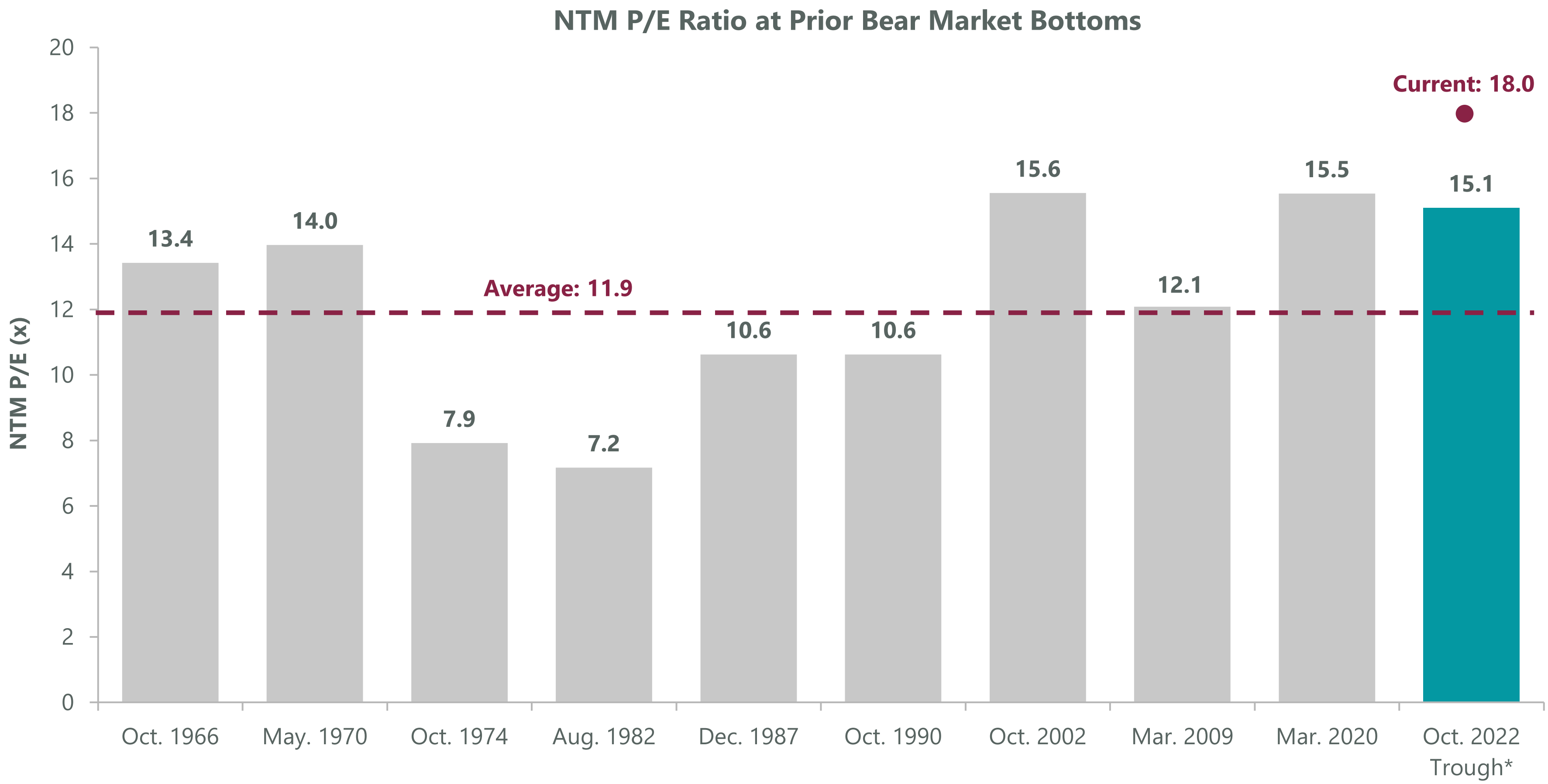
Source: FactSet, Federal Reserve, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Finding Fair Value



- **Although U.S. equities have derated from greater than 21x, they are still well above the average multiple seen at prior bear market troughs.**
- **Over the last 20 years, major market lows have tended to occur at loftier valuations (14.4x) relative to history, perhaps a function of lower (discount) rates.**

*Trough at Oct. 12, 2022. Note: Chart uses monthly NTM P/E ratios on the S&P 500 Index since 1964. Data as of March 31, 2023. Source: S&P, FactSet, Credit Suisse. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

What's the Path for Earnings?

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NTM EPS Behavior

Market Peak	EPS Peak	# of Days	Market Trough	EPS Trough	# of Days	EPS Peak – Trough	Market Peak – Trough
Recessions							
3/24/2000	8/7/2000	136	10/9/2002	12/17/2001	-296	-17.5%	-49.1%
10/9/2007	11/1/2007	23	3/9/2009	5/8/2009	60	-39.3%	-56.8%
2/19/2020	1/30/2020	-20	3/23/2020	5/15/2020	53	-20.6%	-33.9%
Average GDP Recession:		46			-61	**-25.8%**	-46.6%
Non-Recessionary EPS Declines							
7/17/1998	9/29/1998	74	8/31/1998	1/4/1999	126	-2.6%	-19.3%
5/21/2014	10/7/2014	139	8/25/2015	2/6/2015	-200	-5.5%	-7.2%
11/3/2015	9/8/2015	-56	2/1/2016	3/1/2016	29	-3.2%	-13.3%
9/20/2018	12/6/2018	77	12/24/2018	2/1/2019	39	-2.3%	-19.8%
Average GDP Recession:		59			-2	**-3.4%**	-14.9%
Current*							
1/3/2022	***7/8/2022***	***186***	***10/12/2022***	***2/3/2023***	***114***	***-5.7%***	***-25.4%***

- **Earnings revisions have declined by -26% on average across the last three recessions.**
- **It is not uncommon for earnings estimates to bottom after market lows have occurred. Earnings estimates have only recently started to come down.**

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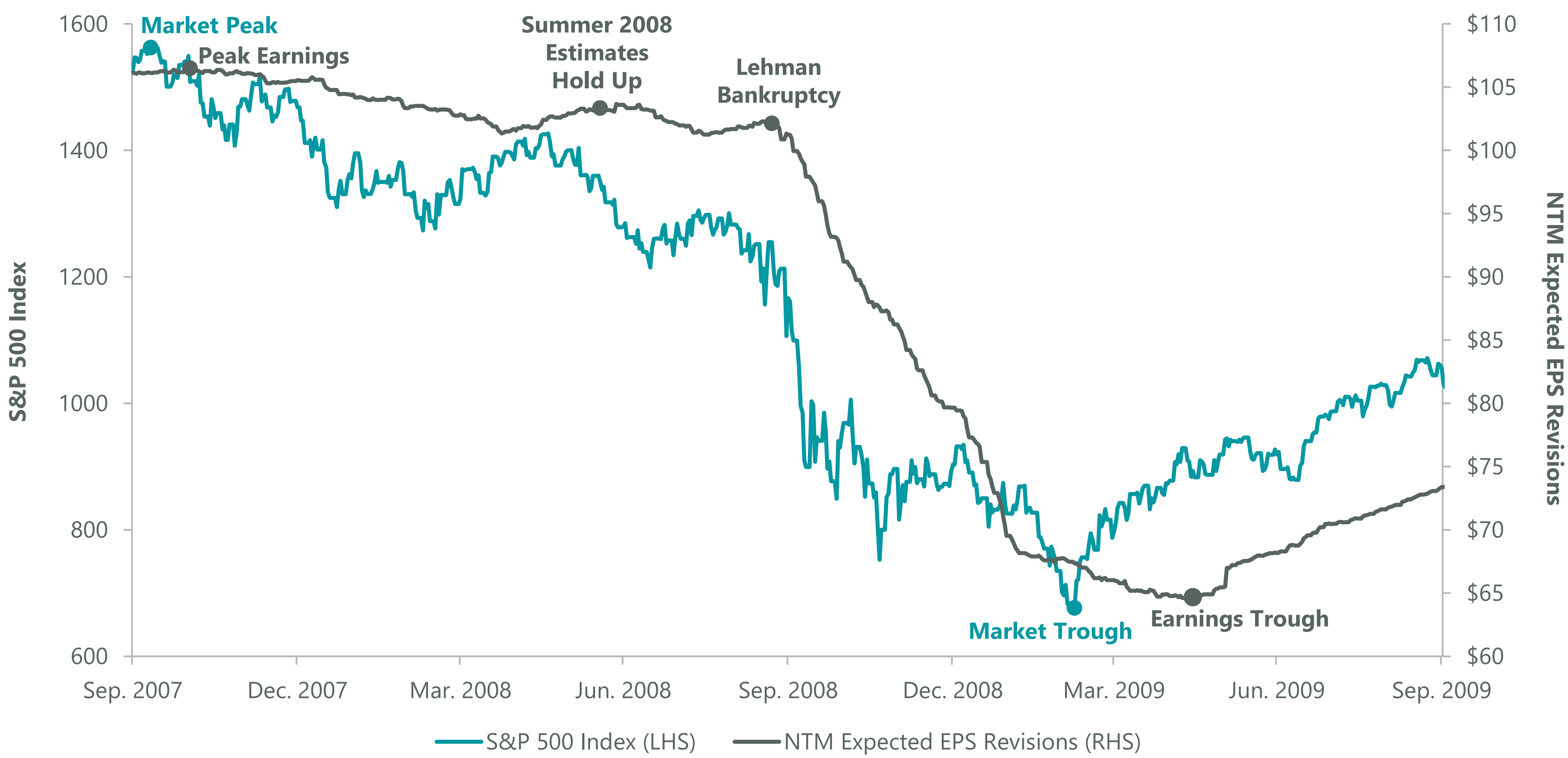
*Current reflects the Peak-Trough from market close on Oct. 12, 2022 to Feb. 3, 2023. Data as of March 31, 2023. Source: S&P, FactSet, NBER, and Bloomberg. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

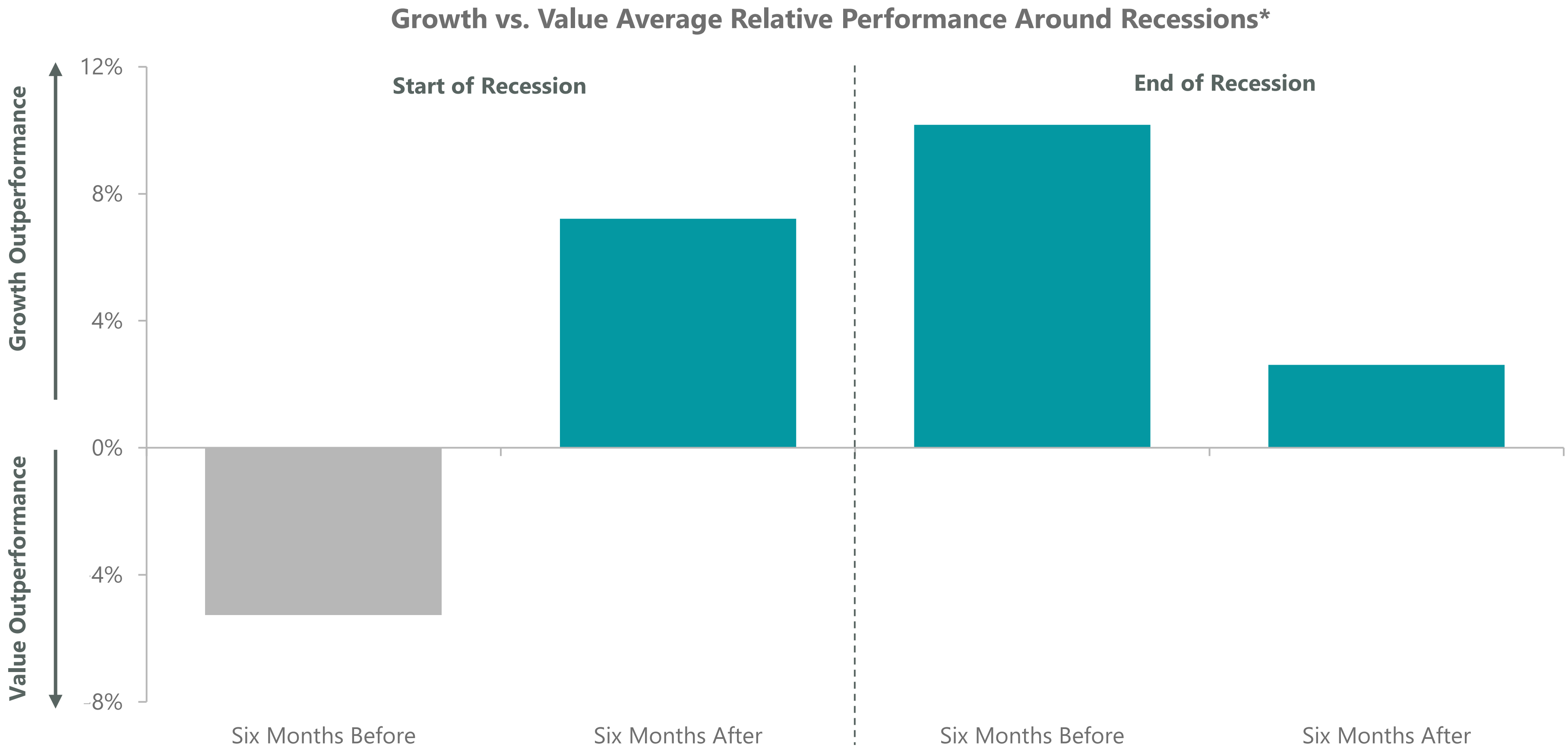
Earnings Revisions During the GFC



- **Earnings had only been revised lower by 4% from peak at the time of the Lehman bankruptcy in September 2008.**
- **Earnings expectations continued to drift lower past the March 2009 market lows.**
- **By the time earnings troughed in May, the market had already climbed 37% from the lows.**

Data from Sept. 30, 2007 through Sept. 30, 2009. Source: FactSet, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Leadership To and Through Recessions



- Typically, Value has outpaced Growth leading into a recession.
- However, leadership often flips with Growth picking up the baton once the recession is underway.

*Averages in the chart include the last three NBER recessions that occurred from March 15, 2001 through Nov. 16, 2001, Dec. 15, 2007 through June 15, 2009, and Feb. 15, 2020 through April 15, 2020. Indices used for each asset class include the following: Growth - Russell 1000 Growth; Value - Russell 1000 Value. Source: NBER, FactSet. Data as of March 31, 2023. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Dividend Growers Have Historically Dominated

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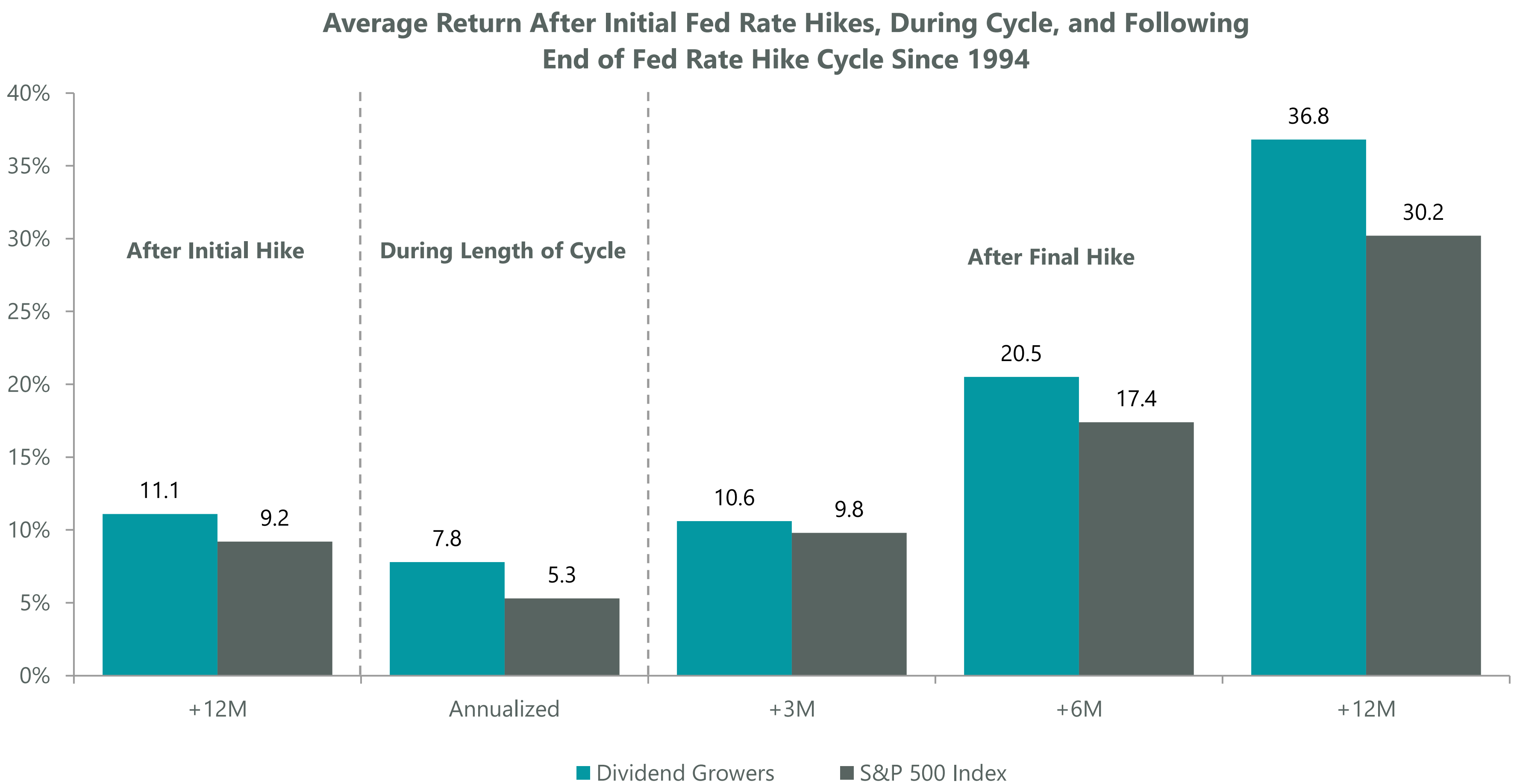

- **Dividend growth has historically been a desirable trait for equities during and after Fed hiking cycles.**

Source: BMO Capital Markets Investment Strategy Group, FactSet, Compustat, FRB.
Dividend Growth Screening Methodology: S&P 500 stocks screened each month end, no dividend cuts in the past five years, latest one-year dividend per share growth greater than the S&P 500, current dividend yield greater than the S&P 500, free cash flow yield greater than the dividend yield, dividend payout ratio lower than the S&P 500. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

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Bear Market Achieved, Good Entry Point?

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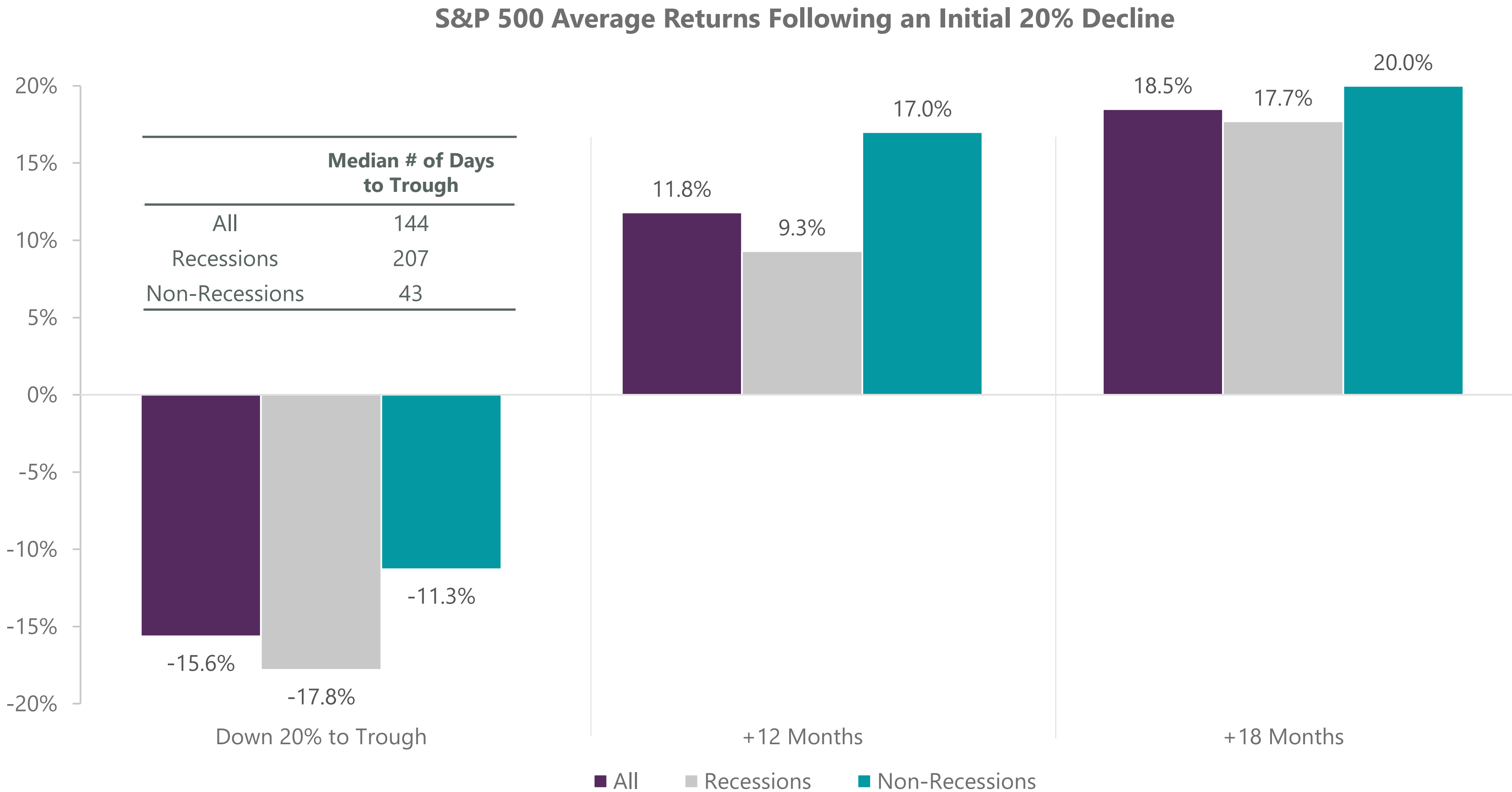

- **Once a bear market (-20%) has occurred, markets typically continue to sell off with recessions experiencing larger drawdowns than non-recessions.**
- **However, patient investors have historically been rewarded for staying the course over the following year.**

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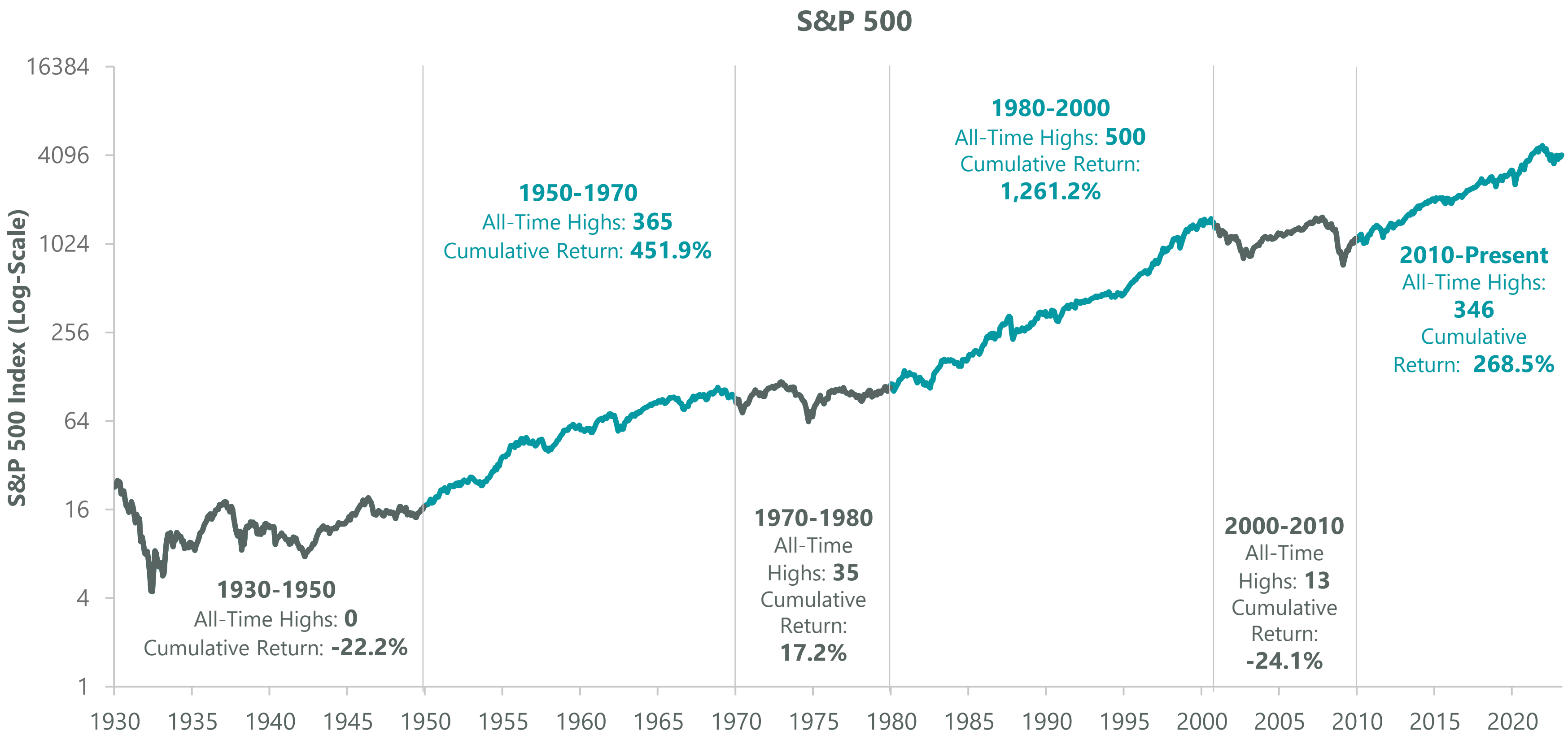
Note: data represents period from 1940 – present. Source: S&P, Factset, and NBER. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

New Secular Bull Market?



Secular Bear: Average Drawdown -46.1%
Secular Bull: Average Drawdown -26.1%

- **In the 12 months following an all-time high, stocks have historically been up 8.3% on average with positive returns 70% of the time.**

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Secular bear market average drawdown includes selloff beginning September 1929. Data as of March 31, 2023. Source: Bloomberg, FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Economic and Market Summary

Second Quarter 2023

U.S. Economic Outlook

- U.S. recession risks remain elevated with the overall signal continuing to flash red.
- The lagged effects of Fed tightening are beginning to arrive and should weigh on economic growth in 2023.

U.S. Market Outlook

- Downside to earnings expectations and multiple compression are risks to equities in 2023.
- We continue to believe that markets will experience heightened volatility until visibility is restored regarding the path forward for the economy and earnings.
- Historically, bear markets are rare and typically provide good opportunities for long-term investors.

Recession Dashboard Overall Signal

Recession

As of March 31, 2023.

Market Leadership

Paradigm Shift?

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2005 – 2021 Average

Market Cap	Value	Blend	Growth
Large	Large Cap Value -13.5% Avg. Perf.	Large Cap -12.8% Avg. Perf.	Large Cap Growth -12.1% Avg. Perf.
Mid	Mid Cap Value -15.0% Avg. Perf.	Mid Cap -14.4% Avg. Perf.	Mid Cap Growth -13.8% Avg. Perf.
Small	Small Cap Value -15.4% Avg. Perf.	Small Cap -14.9% Avg. Perf.	Small Cap Growth -14.4% Avg. Perf.

Investment Style

Most Recent Drawdown* (2022)

Market Cap	Value	Blend	Growth
Large	Large Cap Value -17.7% Avg. Perf.	Large Cap -25.4% Avg. Perf.	Large Cap Growth -32.4% Avg. Perf.
Mid	Mid Cap Value -17.7% Avg. Perf.	Mid Cap -21.0% Avg. Perf.	Mid Cap Growth -24.2% Avg. Perf.
Small	Small Cap Value -20.0% Avg. Perf.	Small Cap -23.1% Avg. Perf.	Small Cap Growth -26.2% Avg. Perf.

Investment Style

- **The recent market selloff did not witness the typical leadership from the past 17 years with smaller caps and value holding up better than larger caps and growth.**

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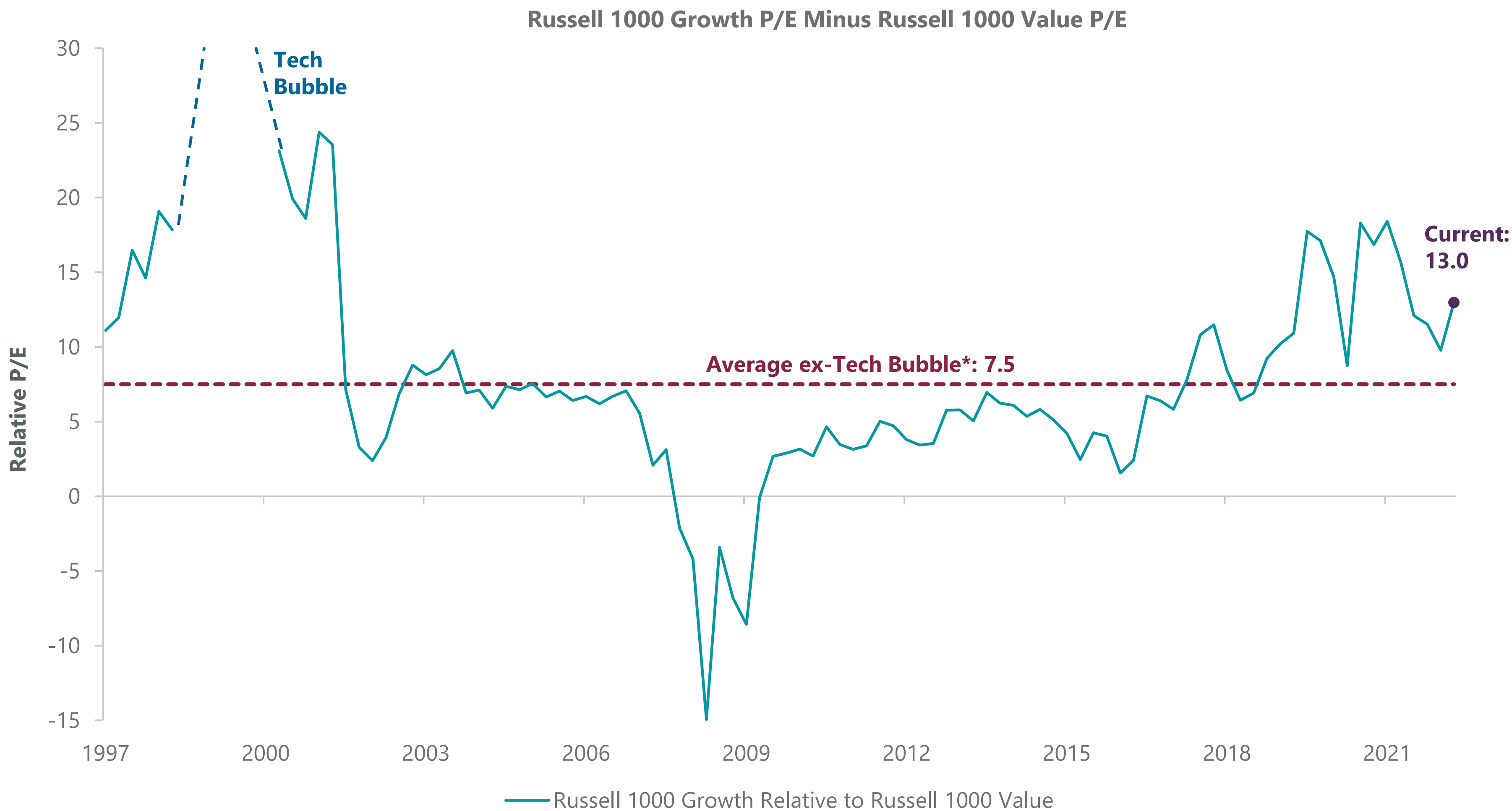
*Most recent drawdown reflects the 2022 Peak-Trough from market close on Jan. 3 to Oct. 12, 2022. Data as of March 31, 2023. Note: Average performance during selloffs of 5% of more. Benchmarks used: Large Value: Russell 1000 Value, Large Blend: Russell 1000, Large Growth: Russell 1000 Growth; Mid Value: Russell Mid Cap Value, Mid Blend: Russell Mid Cap, Mid Growth: Russell Mid Cap Growth; Small Value: Russell 2000 Value, Small Blend: Russell 2000, Small Growth: Russell 2000 Growth. Source: Russell and Bloomberg. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Value Not Yet Expensive



- **Despite a 21.6% run of outperformance in 2022, valuation for value vs. growth is still not back to average.**

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*The Tech Bubble period removed from the chart is from June 30, 1999 through Dec. 31, 2000. Data as of March 31, 2023. Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Typical Market Leadership: High & Falling Inflation

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Market Cap	Value	Blend	Growth
Large	**Large Cap Value** 8.1% Avg. Perf. 63.9% Hit Rate	**Large Cap** 0.1% Avg. Perf. 44.4% Hit Rate	**Large Cap Growth** -7.4% Avg. Perf. 33.3% Hit Rate
Mid	**Mid Cap Value** 13.4% Avg. Perf. 61.1% Hit Rate	**Mid Cap** 5.3% Avg. Perf. 61.1% Hit Rate	**Mid Cap Growth** -2.2% Avg. Perf. 50.0% Hit Rate
Small	**Small Cap Value** 16.3% Avg. Perf. 61.1% Hit Rate	**Small Cap** 9.2% Avg. Perf. 61.1% Hit Rate	**Small Cap Growth** 1.7% Avg. Perf. 52.8% Hit Rate

Investment Style

- **During historical periods of high and falling inflation, tilts toward value and small caps have been rewarded.**

Note: Average annualized return during high and falling inflationary periods. High is defined as greater than 2.3% YoY CPI (average over the period used), and falling is if CPI is lower than the prior month. Hit Rate: Hit rate of outperformance vs. S&P 1500 Index
Benchmarks used: Large Value: S&P 500 Value, Large Blend: S&P 500, Large Growth: S&P 500 Growth; Mid Value: S&P 400 Value, Mid Blend: S&P 400, Mid Growth: S&P 400 Growth; Small Value: S&P 600 Value, Small Blend: S&P 600, Small Growth: S&P 600 Growth. Data as of March 31, 2023.
Source: S&P, FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

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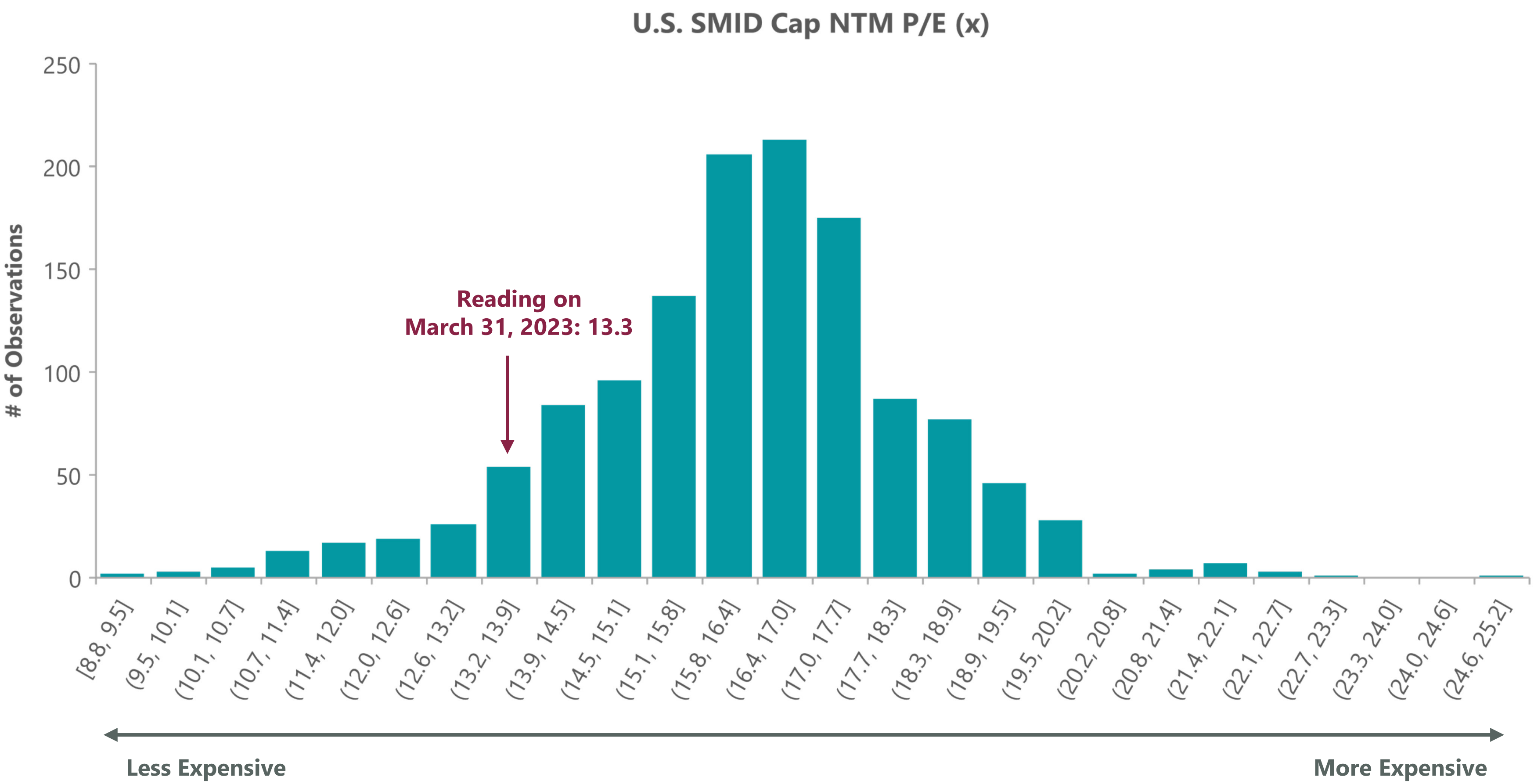
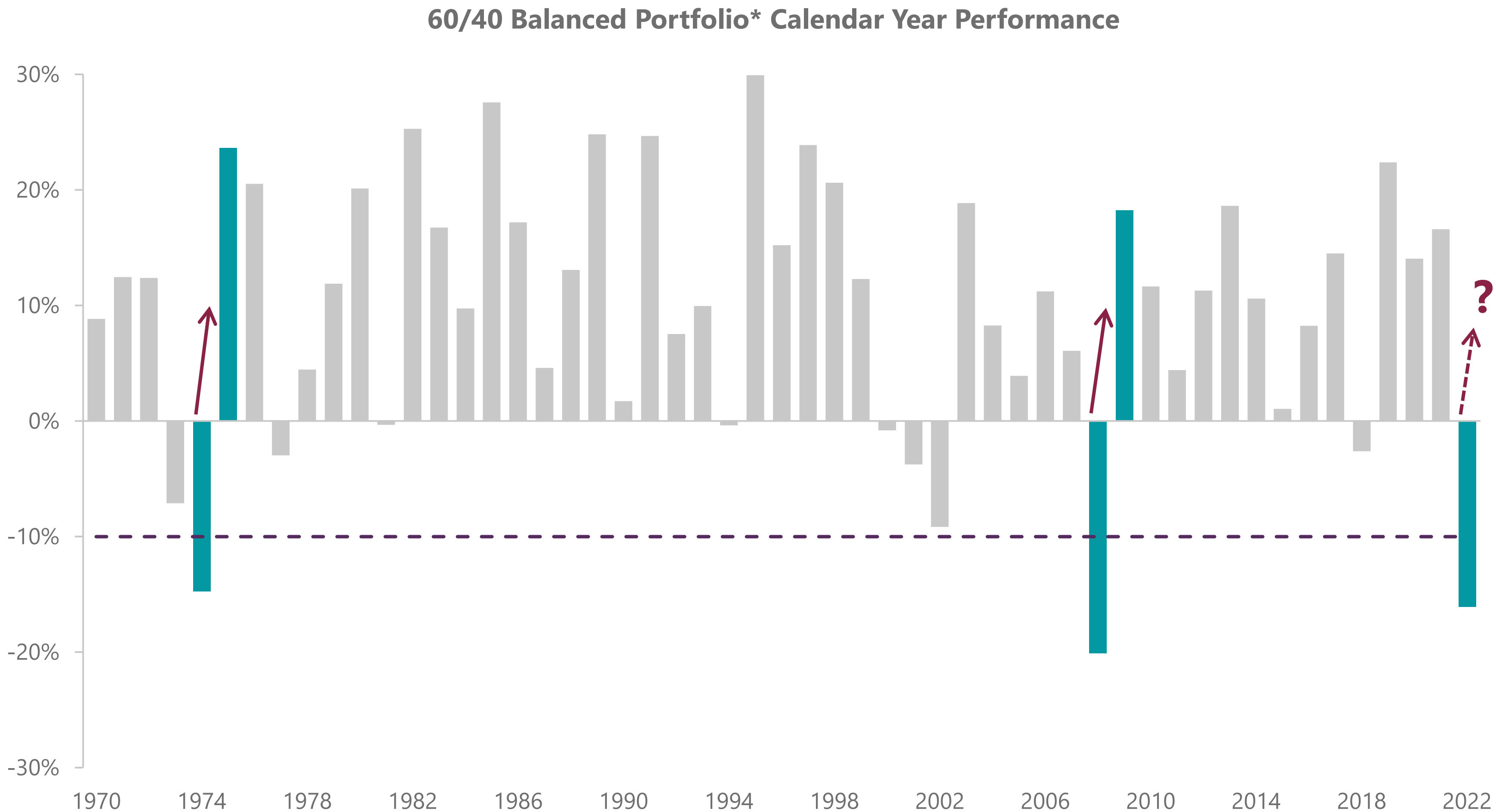
SMID Caps on Sale



- **Following a large de-rating in 2022, SMID cap equities remain attractively priced relative to their history over the last 25 years.**

Data shows the S&P 1000 Index 12-month forward P/E histogram from Apr. 1998 through March 2023. Data as of March 31, 2023. Source: Standard & Poor's, FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

History Suggests a Potential Rebound



- **Balanced portfolios have historically rebounded strongly in the year following a -10% (or worse) calendar year return.**

*Balanced Portfolio consists of 60% stocks, 40% bonds. Stocks represented by S&P 500 total returns, bonds represented by U.S. Treasury Bonds from 1928-1975, and the Bloomberg (formerly Barclays) U.S. Aggregate Bond Index from 1976 - present. Data as of Dec. 31, 2022.
Source: Bloomberg, FactSet, NYU Stern School of Business, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

International Outlook

Global Valuations Attractive

NTM P/E (x)

Country	Current	2021 High	Current vs. 2021 High	20-Year Median	Current vs. 20-Year Median
U.K.	10.6	14.6	-28%	12.8	-18%
Japan	13.3	16.6	-20%	14.8	-10%
Eurozone	13.2	17.9	-26%	13.6	-3%
Emerging Markets	12.3	16.4	-25%	12.7	-3%
World	14.9	18.9	-22%	14.5	3%
Switzerland	17.4	20.9	-17%	15.9	9%
U.S.	18.6	23.3	-20%	16.0	16%

- **Valuations across the globe have come in dramatically since their 2021 highs. The U.K. and Japan look particularly attractive on a valuation basis.**

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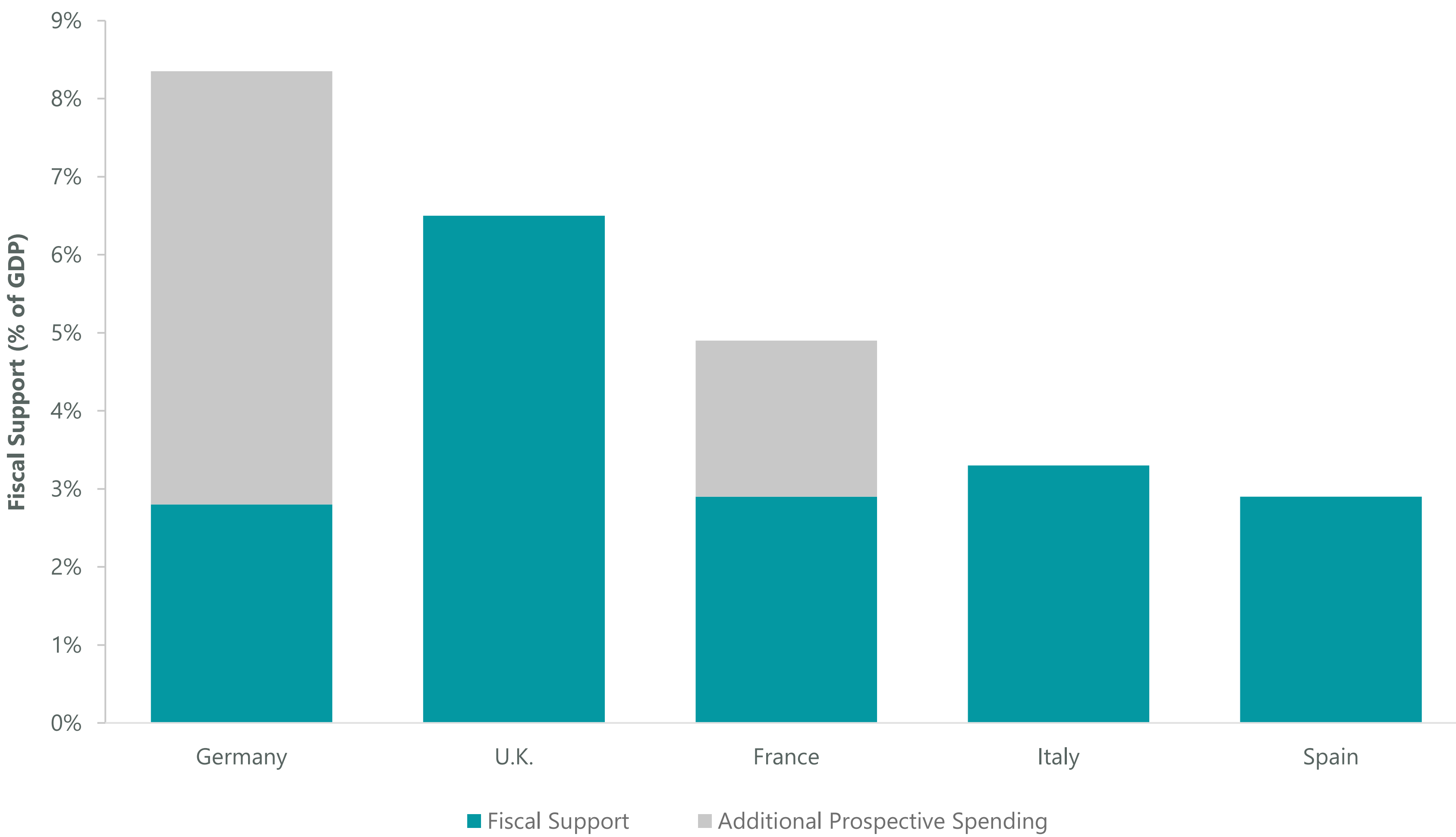
Data as of March 31, 2023. Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Fiscal Stimulus to the Rescue



- **In response to higher energy prices and slowing economic growth, European governments have stepped up their fiscal support meaningfully.**

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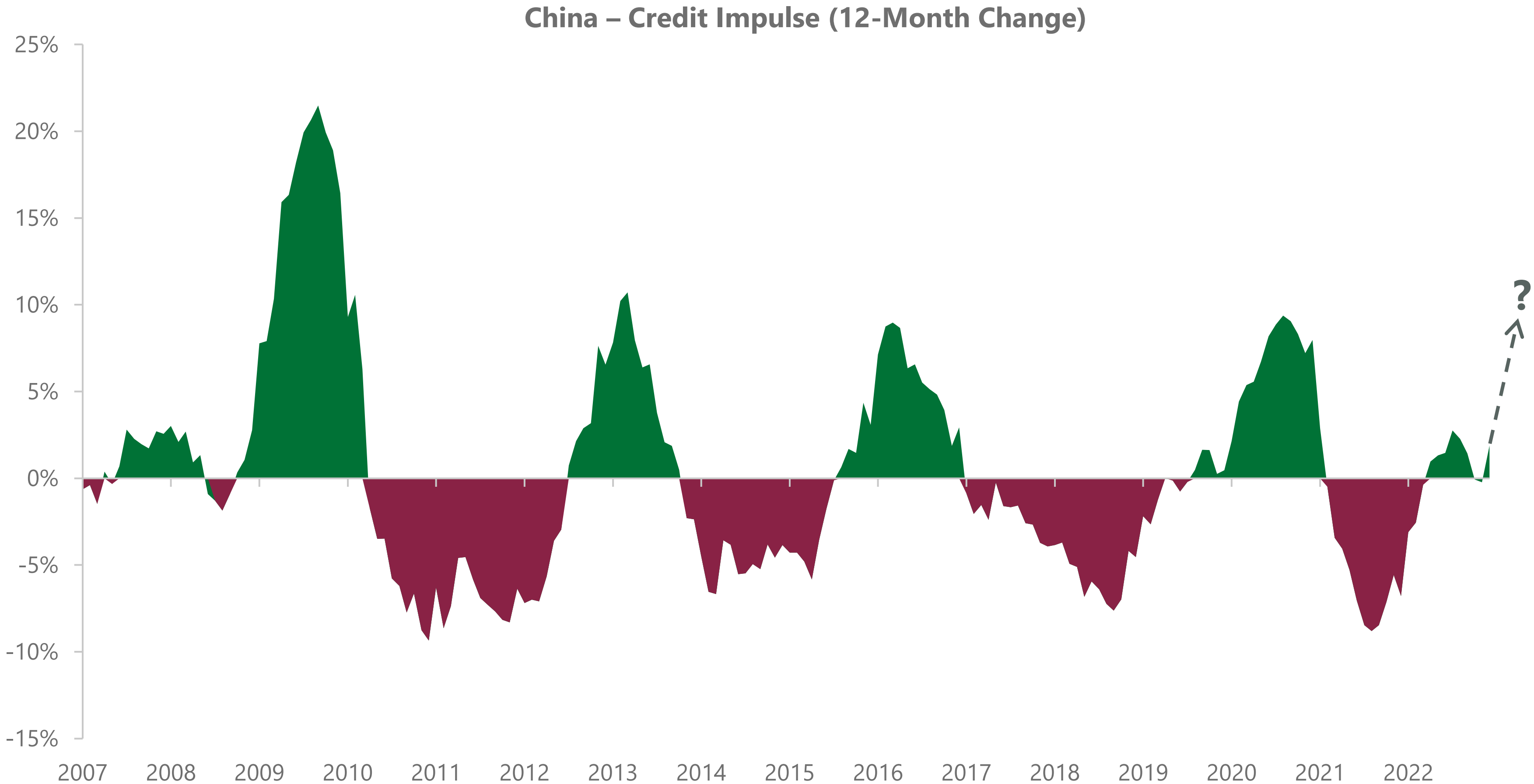
As of Dec. 31, 2022. Source: Barclays Research, https://www.bruegel.org/dataset/national-policies-shield-consumers-rising-energy-prices.

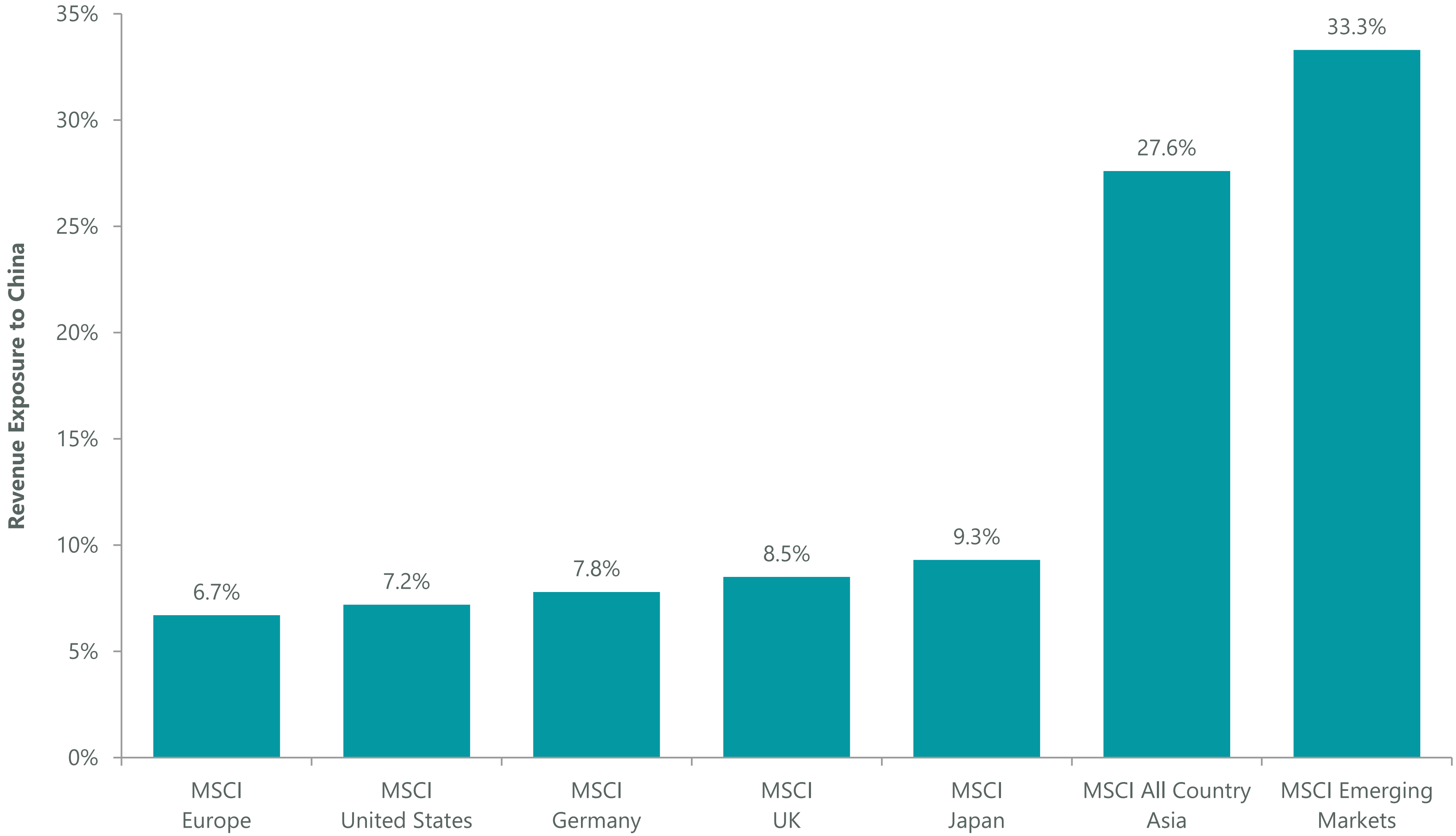
Chinese Credit Cycle Bottoming?



- **The Chinese credit cycle is an important driver of domestic and global economic growth.**
- **Chinese policymakers have recently become more supportive as evidenced by the inflection higher in the credit impulse.**

Data as of Feb. 28, 2023, latest available as of March 31, 2023. Source: Bloomberg.

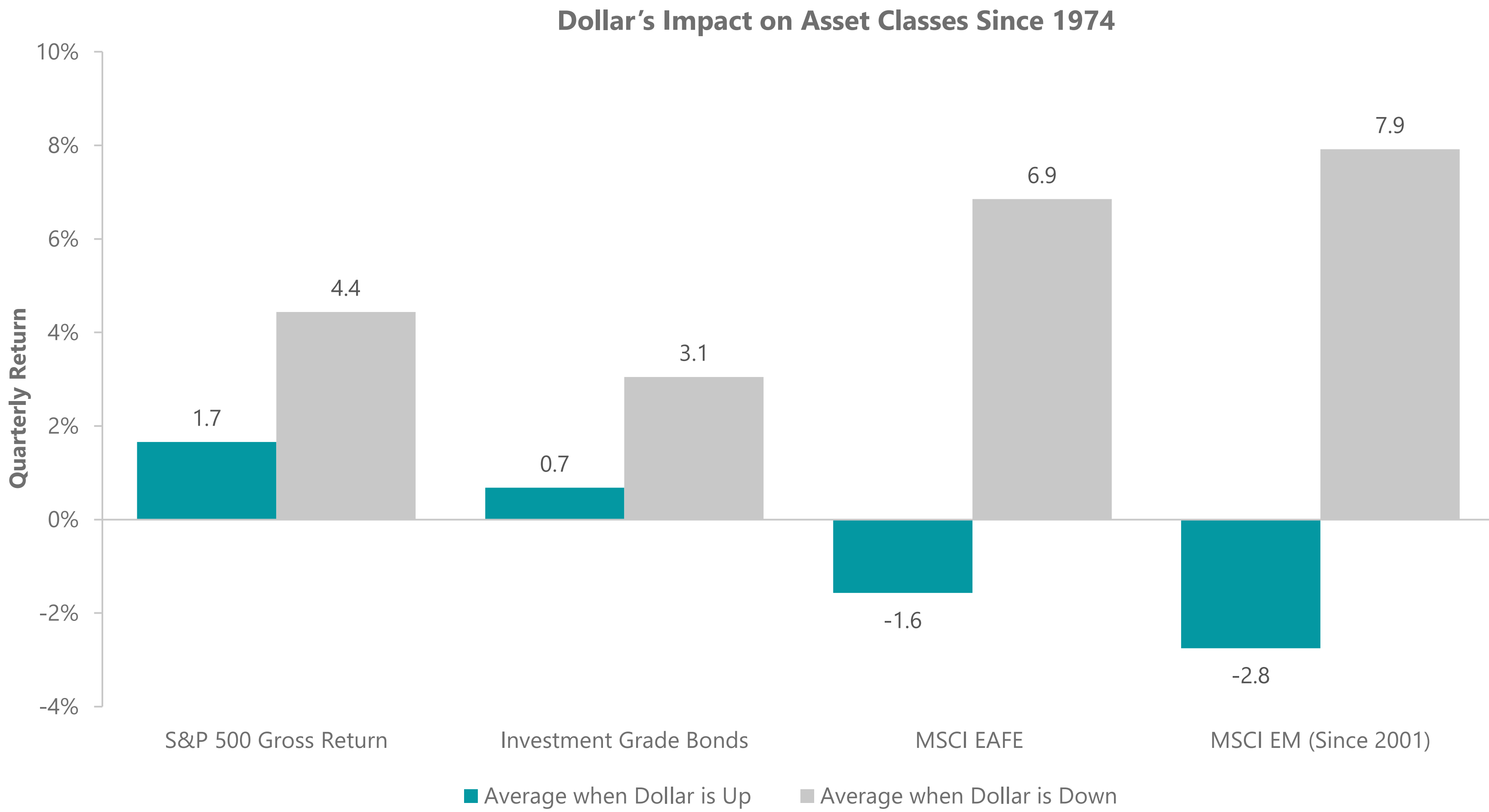
Who Benefits from China Reopening



With China abandoning zero-COVID policies, economic activity should accelerate in 2023.

Data as of March 31, 2023. Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Weaker Dollar Supercharges Non-U.S. Stocks



International equities tend to outperform during periods of dollar weakness.

Data as of March 31, 2023. MSCI EAFE and MSCI EM are net returns; MSCI EM data starts in 2001. Investment Grade Bonds refers to the Bloomberg U.S. Corporate Investment Grade Bond Index. Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Glossary of Terms

BEA: Bureau of Economic Analysis

Bloomberg US Corporate Investment Grade Bond Index: an unmanaged index of U.S. investment-grade corporate bond securities

Capex (Capital expenditures): corporate spending on productive assets (such as buildings, machinery and equipment, vehicles) intended to increase capacity or efficiency for more than one accounting period.

EPS (Earnings per Share): the portion of a company's profit allocated to each outstanding share of common stock.

GDP: Gross Domestic Product

GFC (Great Financial Crisis): the severe economic and market downturn experienced in 2007-2008.

LEI Index: Conference Board Leading Economic Indicators index.

MSCI All Country World Index: unmanaged index of large- and mid-cap stocks in developed and emerging markets.

MSCI EM Index: unmanaged index of large- and mid-cap stocks in 27 emerging market countries.

MSCI EAFE Index: unmanaged index of equity securities from developed countries in Western Europe, the Far East, and Australasia.

MSCI USA Index: unmanaged index of US large- and mid-cap equity securities.

NFIB (National Federation of Independent Business): a U.S. small business advocacy association, representing over 350,000 small and independent business owners.

NFIB Small Business Optimism Index: measure of small business sentiment produced by the National Federation of Independent Business based on its monthly survey of small business owners.

P/E Ratio: Price/Earnings ratio

PMI: Purchasing Manager's Index

Quantitative easing (QE): Monetary policy implemented by a central bank in which it increases the excess reserves of the banking system through the direct purchase of debt securities.

Russell 2000 Index: unmanaged index of small-cap stocks.

Shibor: Shanghai Interbank Offered Rate

S&P 500 Index: Unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S.

VIX: VIX is the ticker symbol and the popular name for the Chicago Board Options Exchange's CBOE Volatility Index, a popular measure of the stock market's expectation of volatility based on S&P 500 index options.

Yield Curve: Comparison of interest rates at a point in time of bonds with equal credit quality but different maturity dates.

YoY: Year Over Year

U.S. Treasurys: Direct debt obligations issued and backed by the "full faith and credit" of the U.S. government. The U.S. government guarantees the principal and interest payments on U.S. Treasuries when the securities are held to maturity. Unlike U.S. Treasury securities, debt securities issued by the federal agencies and instrumentalities and related investments may or may not be backed by the full faith and credit of the U.S. government. Even when the U.S. government guarantees principal and interest payments on securities, this guarantee does not apply to losses resulting from declines in the market value of these securities.

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