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CHIEF INVESTMENT OFFICE

Investment Insights

Steer the Course of Your Financial Future: A Guide for Long-term Investors

March 2024

All data, projections and opinions are as of the date of this report and subject to change.

Investing can feel challenging at times, but it doesn't have to be. What may seem like a daunting process really comes down to a core set of investment principles that simplify where to start and how to continue. Of course, there is no crystal ball, for investing and future returns are never guaranteed, but focusing on the fundamentals may help give you more control over your long-term investing journey and steer the course of your financial future. This guide outlines those tenets and is designed to empower long-term investors to invest, especially those investors who may be new to investing or may feel like it is never the right time to get started or get back in.

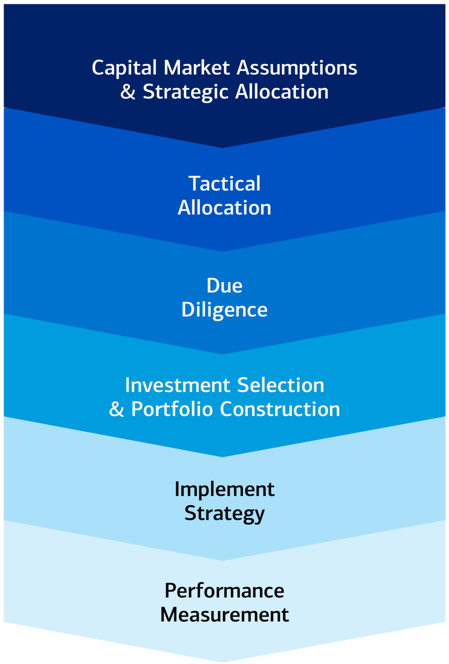
These core principles of long-term investing can be applicable to everyone, from the experienced to the novice. While geopolitical events or market volatility are beyond our control, and as a confluence of factors may drive investor psychology, understanding these investment dynamics may provide the steps to weather periods of turbulence or uncertainty. The biggest lesson for building your financial future is stick to a plan with a disciplined investment process and stay invested.

Know your goals and yourself as an investor. Stay grounded in a disciplined investment process.

Achieving long-term investment success starts with clearly identifying your investment objectives, in our view. Determining your long-term financial goals such as saving for retirement or education and priorities like liquidity needs helps to provide purpose behind investing. Factors including your time horizon, or how long you expect to invest to reach those goals, and your risk tolerance, or your willingness and ability to sustain some losses in pursuit of higher returns, help to refine them. Think of goal-setting as your "why," which makes the investment process and plan your "how" in working to achieve them. Consider this framework as the basis of the investment process:

- Based on your investor profile, establish the foundation of your portfolio with a long-term strategic asset allocation or the mix of assets like stocks, bonds, cash and Alternative Investments for qualified investors. Research shows that the strategic asset allocation of a portfolio is a primary driver of its overall performance,[1] so setting your plan and sticking to it is one of the most fundamental investment decisions you make.
- Consider risk appropriate tactical allocation tilts, or small allocation shifts, to take advantage of near-term economic and market conditions. Ensure appropriate diversification across asset classes, regions, styles.
- Apply quantitative and qualitative screening techniques through the Chief Investment Office (CIO) due diligence process to identify investment candidates across the investment universe, and then construct a portfolio using the identified investment selections that are most complementary to your objectives and that diversify against one another.
- Consider satellite positions or overlay ideas that complement the core portfolio that could be used to express a view or value or a way to incorporate different investment vehicle types like actively[2] managed funds or Alternative Investments.
- Manage tax efficiency and minimize investment costs during implementation that could cut into investment returns.

Value A Goals-based Plan to Help Keep You On Track



Source: Chief Investment Office as of March 2024.

[1] See Roger Ibbotson, "The Importance of Asset Allocation," *Financial Analysts Journal*, March/April 2010.

[2] Active management seeks to outperform benchmarks through active investment decisions such as asset allocation and investment selection.

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- Set a schedule to review your financial goals, liquidity needs, time horizon, risk tolerance and portfolio performance. Rebalance, or reset your allocation, opportunistically to help ensure optimal exposures when market fluctuations cause allocations to drift from original targets. Consider how to take advantage of market trends, cycles and drawdowns.

With time, your investment objectives may evolve, which is where rooting yourself in a disciplined investment process helps. It anchors any investment decision within your well-developed plan and limits emotion-driven reactions, especially as financial markets face highs and lows.

Remember that volatility is normal, so stay the course.

In extraordinary times, market volatility can rise to extremes and create extended periods of concern for investors. We have experienced many of these episodes just in the past two decades, let alone over the course of history. But market volatility is normal and is even an integral part of investing, as periods of weakness may provide attractive buying opportunities for investors to add to their investments. Since 1980, the S&P 500 saw an average intrayear decline of 14% in a calendar year, and still managed to see positive annual returns 75% of the time with an average return of 10% (Exhibit 2A). Even amid the more severe drawdowns of greater than 20%, the S&P 500 has historically seen a strong recovery just one year later from the drawdown trough, averaging a gain of 43% for declines since 1962 (Exhibit 2B).

Exhibit 2A: Even Up Years For The S&P 500 Saw Intra year Declines.

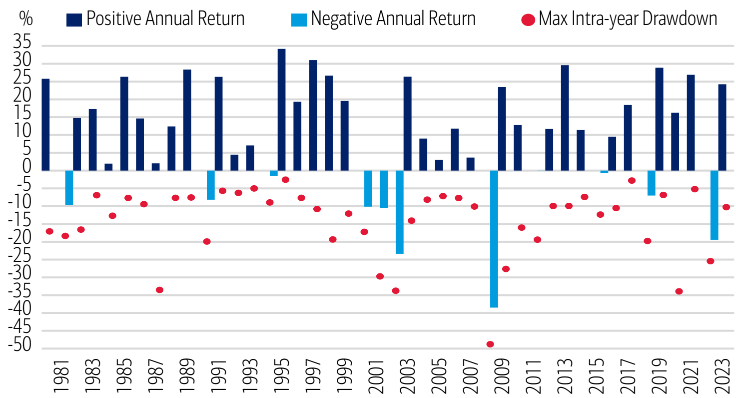
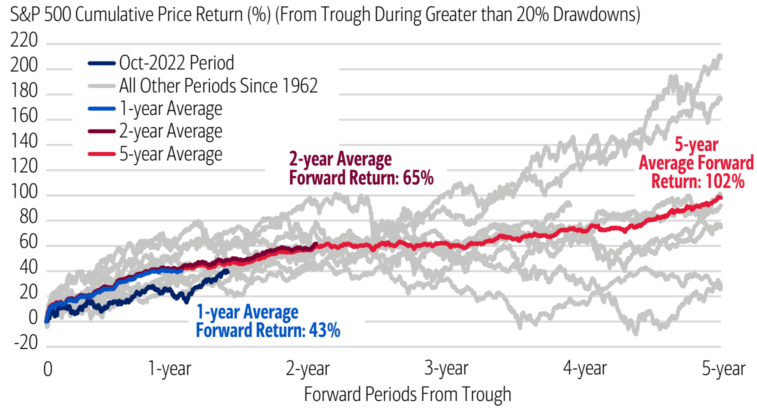


Exhibit 2B: Recoveries Have Historically Followed Downturns.



(Left) Source: Bloomberg. Data as of December 31, 2023. (Right) Note: Two-year average excludes 2022 period. Five-year average excludes 2020 and 2022 periods. Source: Bloomberg. Data as of February 20, 2024. **Past performance is no guarantee of future results. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.**

Time is on your side. Let it work for you.

The "perfect" or "optimal" time to get in the market does not exist. There will always be factors like market swings, geopolitical risks or concerns over exogenous shocks that may deter you. Staying fully invested even during market shocks gives you an opportunity to participate in the potential market upside. Changing course at the wrong time could be costly. Missing just the 10 best days of returns in the 2010s would have meant realizing dampened returns of only 95% versus 190% for the full decade (Exhibit 3A). To complicate market timing further, the best days of returns generally follow the worst for the S&P 500, which was the case during the volatility of the 2020 pandemic era as well as the 2008/2009 Great Financial Crisis.

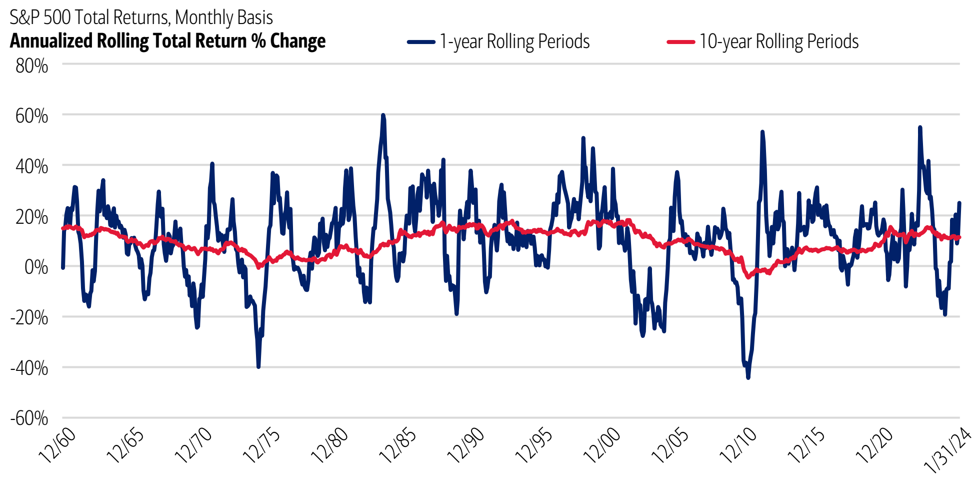
Staying invested and lengthening time horizons can also help to smooth out some of the volatility in equity returns (Exhibit 3B). As time horizons are extended, the probability of negative equity returns has historically fallen. Therefore, time itself is one of your best assets.

Exhibit 3A: Missing The Best Days In Any Decade Has Historically Negatively Affected Equity Returns.

Decade	Price return	"Excluding Best 10 days per Decade"
1930	-42%	-79%
1940	35%	-14%
1950	257%	167%
1960	54%	14%
1970	17%	-20%
1980	227%	108%
1990	316%	186%
2000	-24%	-62%
2010	190%	95%
2020	55%	-14%
Since 1930	23,200%	64%

Source: BofA Global Research. S&P 500. Data as of February 6, 2024. **Past performance is no guarantee of future results. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.**

Exhibit 3B: The Probability Of Positive Equity Returns Tends To Rise Over Longer Time Periods.



Source: FactSet. Data as of January 31, 2024. **Past performance is no guarantee of future results. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.**

Try to avoid getting stuck on the sidelines. There is no better time to invest than now.

Trying to time the market is also linked to overexposure to cash and cash equivalents. While cash may provide some comfort in the near term, overallocating to cash relative to your target allocation could hurt long-term performance. If you started out with a $100,000 Equity portfolio at the beginning of 2007, and you sold at the market bottom to invest in cash, you would only have $57,000 today. If you sold at the bottom and reinvested in Equities after one year, you would have $275,000 today. If you had stayed invested throughout that entire time frame, your initial investment of $100,000 would have grown to $472,000 today (Exhibit 4A). Taking it a step further, the longer you sit in cash, the lower your chances of outperforming Equities. In every 15- and 20-year holding period since 1979, stocks have always outperformed cash (Exhibit 4B). If investing a lump sum creates some anxiety, consider a dollar-cost averaging approach where you deploy a fixed dollar amount on a regular basis, which takes any market timing decisions out of it.

Exhibit 4A: Overly Relying On Cash May Mean Missing Out On Strong Market Gains.

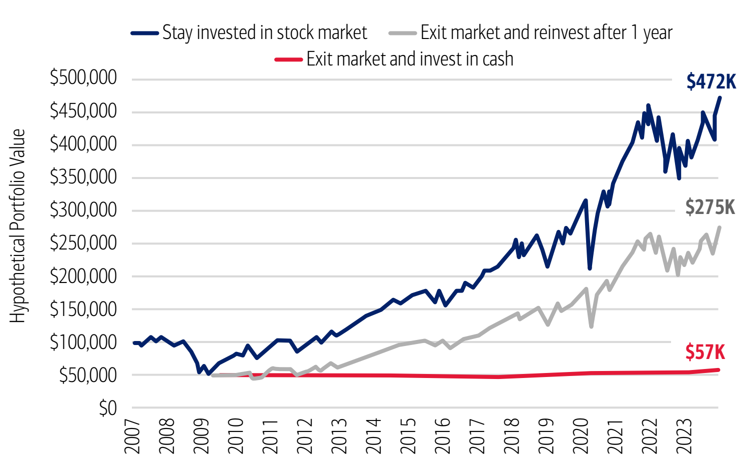
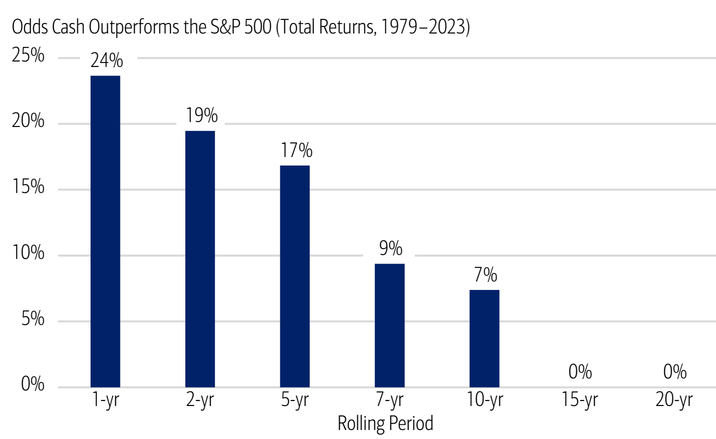


Exhibit 4B: Chances That Cash Outperforms Stocks Drop Over Longer Periods.

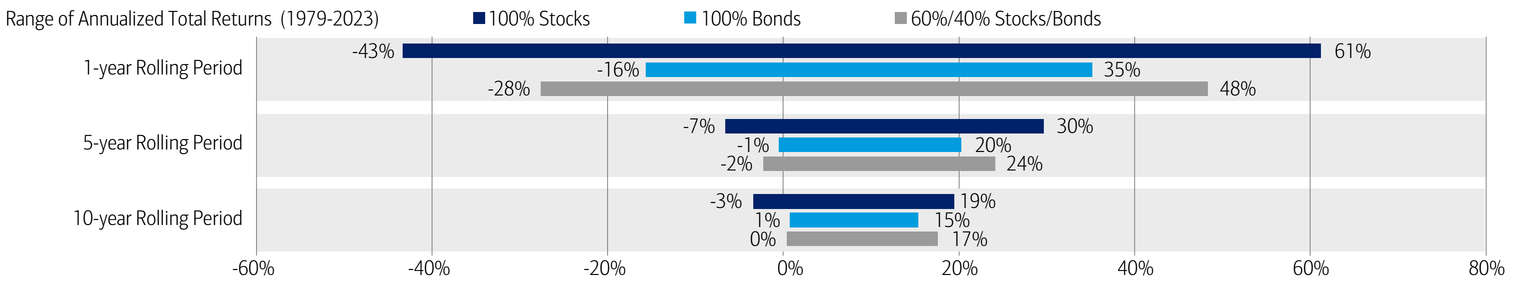


(Left) Source: Bloomberg. Data as of December 29, 2023. The market is represented by the S&P 500 Index. Cash is represented by the ICE BofA U.S. 3-Month Treasury Bill Index. **For illustrative purposes only and not indicative of any investment.** The data assumes reinvestment of income and does not account for taxes or transaction costs. (Right) Chief Investment Office, Bloomberg. Data as of December 29, 2023. Cash is represented by ICE BofA U.S. 3-month Treasury Bill Index. Based on monthly total returns. **Past performance is no guarantee of future results. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.**

Focus on diversification and stay nimble.

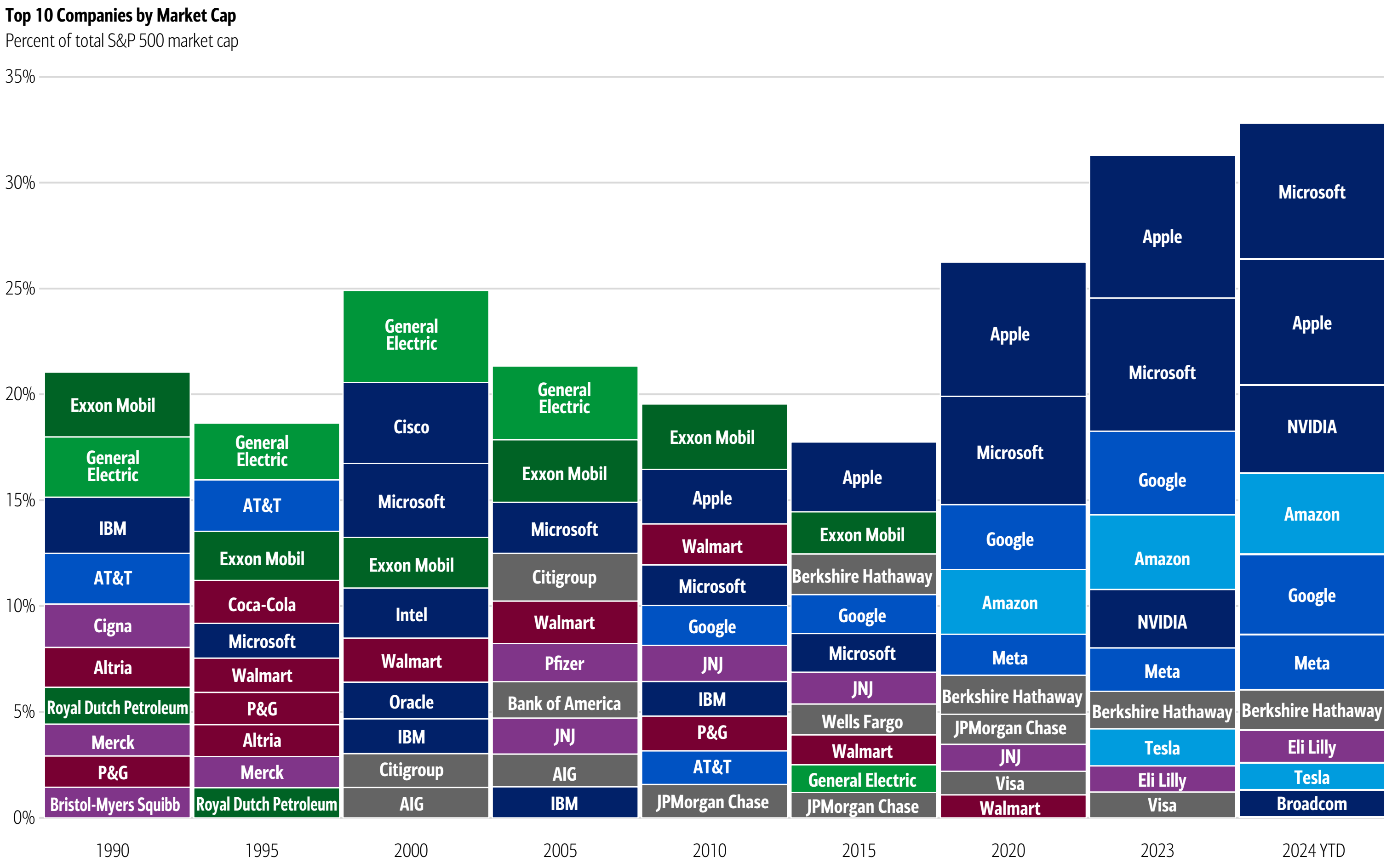
Diversification, or spreading your investments across various asset classes within a portfolio, may help to minimize risk and balance out the portfolio for those investors who may not have the risk tolerance to own a portfolio of only risky assets. Each asset class may have distinct features and added value like income or capital appreciation. They also usually react differently under various market conditions. Thus, holding a blend of assets may help to reduce the overall effect of a dramatic decline in the value of one in the mix. Over the last four decades, a traditional hypothetical portfolio construct of 60% stocks and 40% bonds helped to mute drawdowns during market declines as compared to one with 100% stocks while not sacrificing too much potential upside returns (Exhibit 5A). Staying nimble is also important as markets can change over time as innovation leads to technological advancements, and structural changes happen in the political, economic and investment landscape. The leaders of the market today may look different from the leaders of the future (Exhibit 5B).

Exhibit 5A: A Balanced Portfolio Tends To See More Muted Declines Compared To An All Equity One.



Source: Chief Investment Office, Bloomberg. Stocks are represented by S&P 500. Bonds are represented by the Bloomberg U.S. Aggregate Bond Index. Cash is represented by the ICE BofA U.S. 3-month Treasury Bill Index. Based on monthly returns. Data as of December 29, 2023. **Past performance is no guarantee of future results. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.**

Exhibit 5B: Today's S&P 500 Is Very Different From The Index 10, 20, 30 Years Ago.



Source: Bloomberg. Data as of of February 26, 2024. Any reference to a specific company or security does not constitute a recommendation to buy, sell, hold or directly invest in the company or its securities. Note: Global Industry Classification Standard (GICS) classification as of 2023 adopted for sector grouping. Data reflects market capitalization by calendar year. **Past performance is no guarantee of future results.**

Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

S&P 500/Cumulative Price Return Index is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

Stocks/S&P 500 Annual Return Index is the investment return received each year, excluding dividends, when holding the S&P 500 index.

S&P 500 Total Return Index is a type of equity index that tracks both the capital gains as well as any cash distributions, such as dividends or interest, attributed to the components of the index.

Bloomberg U.S. Equity 60:40 Index is a complete set of global families covering over 99% of the available free float market cap in 49 developed and emerging countries and are available in global, regional, country, and sector exposures, in various currencies and returns (price/total/net).

Bloomberg U.S. Fixed Income Bonds 60:40 Index is designed to measure cross-asset market performance in the US.

Cash/ICE BofA U.S. 3-Month Treasury Bill Index measures the performance of U.S. dollar denominated U.S. Treasury Bills publicly issued in the U.S. domestic market with a remaining term to final maturity greater than or equal to 3 months and less than 6 months.

Bloomberg U.S. Equity Index 100% is a complete set of global families covering over 99% of the available free float market cap in 49 developed and emerging countries and are available in global, regional, country, and sector exposures, in various currencies and returns (price/total/net).

Bonds/Bloomberg US Aggregate Bond Index 100% is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. Investors frequently use the index as a stand-in for measuring the performance of the US bond market.

Important Disclosures

Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.

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All recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Asset allocation, diversification, rebalancing and dollar-cost averaging do not ensure a profit or protect against loss in declining markets.

Keep in mind that dollar cost averaging cannot guarantee a profit or prevent a loss. Since such an investment plan involves continual investment in securities regardless of fluctuating price levels, you should consider your willingness to continue purchasing during periods of high or low price levels.

Risk management and due diligence processes seek to mitigate, but cannot eliminate risk, nor do they imply low risk.

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa. Bonds are subject to interest rate, inflation and credit risks. Investments in foreign securities (including ADRs) involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. Investing directly in Master Limited Partnerships, foreign equities, commodities or other investment strategies discussed in this document, may not be available to, or appropriate for, clients who receive this document. However, these investments may exist as part of an underlying investment strategy within exchange-traded funds and mutual funds.

Alternative investments are speculative and involve a high degree of risk.

Alternative investments are intended for qualified investors only. Alternative Investments such as derivatives, hedge funds, private equity funds, and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect your investments. Before you invest in alternative investments, you should consider your overall financial situation, how much money you have to invest, your need for liquidity, and your tolerance for risk.