CHIEF INVESTMENT OFFICE

Eyes on the Road Ahead

April 2025

The Chief Investment Office Nine Stages of Market Uncertainty To Recovery

Reset Phase

- Unforeseen event unfolds quickly
- Repricing of risk
- Liquidity needs arise

Relief Phase

- Policy action takes place
- Significant relief rallies occur

Re-examine Phase

- Period of choppy trade
- Stable growth confirmation begins

Re-growth Phase

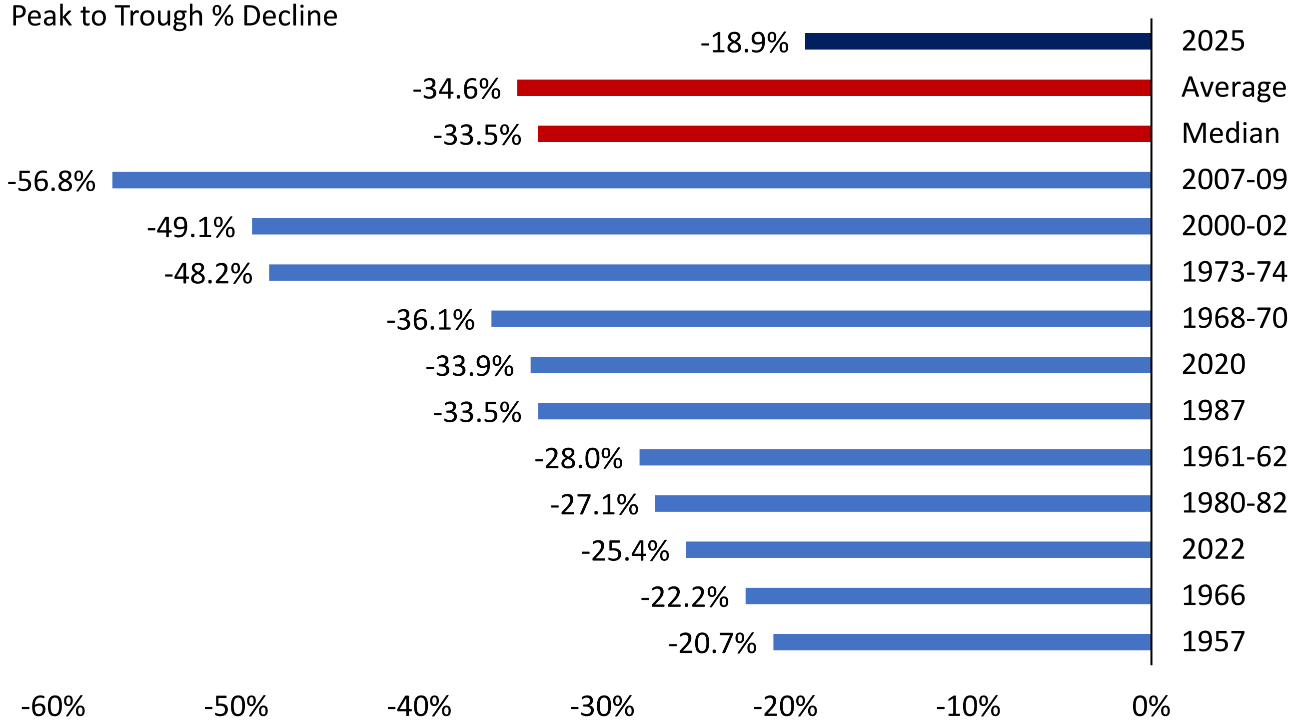
- The climb back environment unfolds
- A new normal builds

Source: Chief Investment Office as of April 11, 2025. CIO views are subject to change. **FOR INFORMATIONAL PURPOSES ONLY**.

How Does this Drawdown Compare?

S&P 500 Index 20%+ Drawdowns Since 1950

Peak to Trough % Decline



Insight

- Since 1950, the S&P 500 has seen 11 cyclical bear markets (<-20%), with an average full peak-to-trough drawdown of 34.6%. The latest max drawdown of 18.9%* for the current decline sits well above that average.
- Declines of 20-30% troughed relatively faster than deeper drawdowns of more than 30%. These periods also recovered quicker with the index recapturing the prior high in 10 months versus over 36 months on average.

S&P 500 Drawdowns and Recoveries (since 1950)

S&P 500 Declines	Number of Declines	Average Decline	Average Length of Decline from Peak-to-Trough (Months)	Average Time to Recover Previous Peak Level after Trough (Months)
Corrections				
10-20%	28	-14.0%	4.0	4.7
Bear Markets				
All 20%+	11	-34.6%	12.5	24.5
20-30%	5	-24.7%	9.5	10.0
30%+	6	-42.9%	15.1	36.6

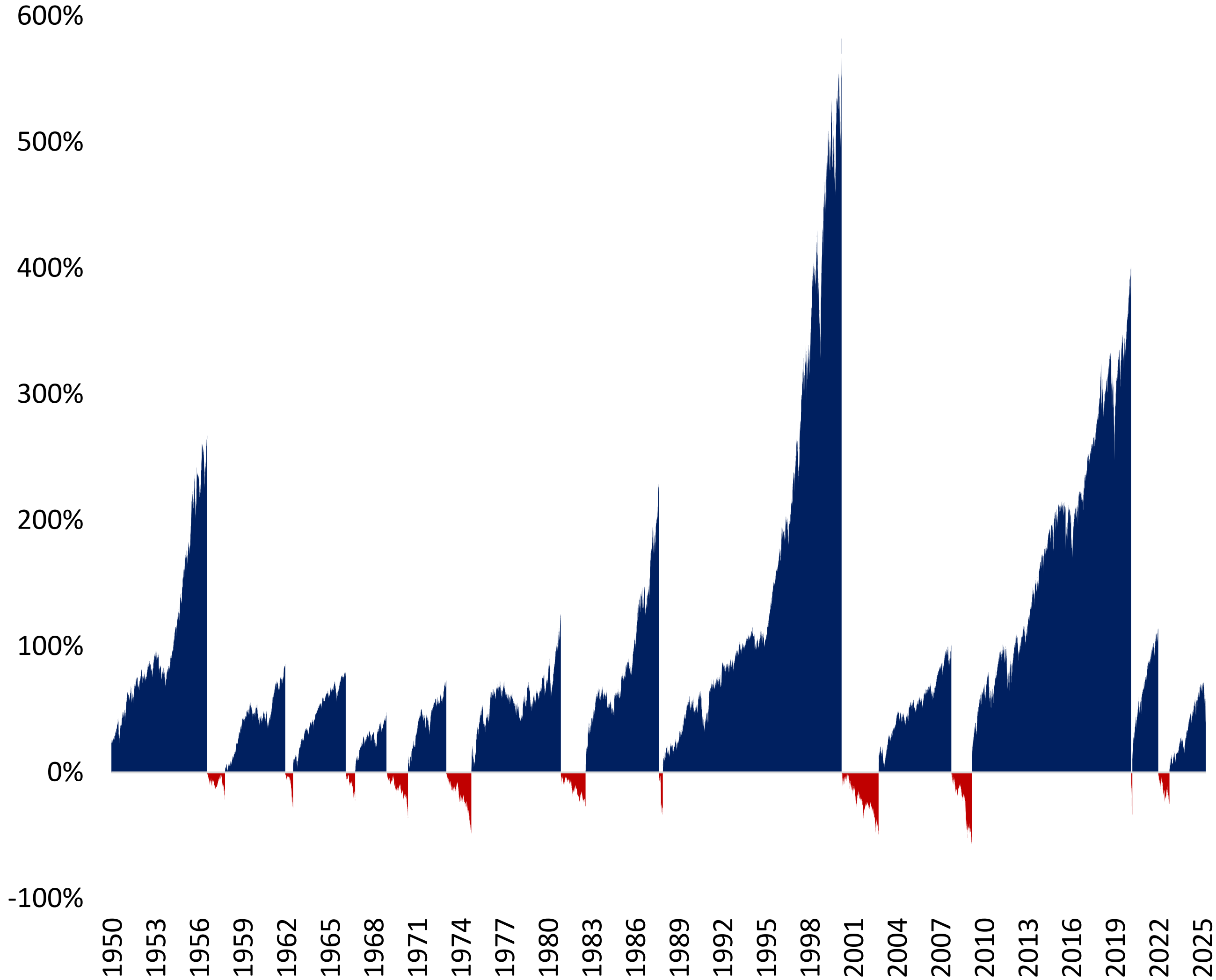
Bottom Line

Large drawdowns of the past have varied considerably depending on the factors driving the decline.

*The 2025 max drawdown reflects data from February 19, 2025 to April 8, 2025. (Top) Sources: Bloomberg; Yardeni Research. Data as of April 9, 2025. (Bottom) Sources: Chief Investment Office; Bloomberg; Yardeni Research. Data as of April 9, 2025. **FOR INFORMATIONAL PURPOSES ONLY. Past performance is no guarantee of future results. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Please refer to index definitions and important disclosures at the end of this presentation.**

Recoveries Follow Downturns

S&P 500 Period Price Return



Insight

- Since 1950, the average bull market advance in the S&P 500 gained roughly 191% and lasted more than 5 years on average.
- The average bear market declined 34.6% and lasted roughly 1 year on average.

Bottom Line

While every cyclical bear market is different in terms of duration, declines and recoveries, every major market downturn in the past has been followed by a recovery.

Sources: Bloomberg; Yardeni Research. Data as of April 9, 2025. **FOR INFORMATIONAL PURPOSES ONLY. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Past performance is no guarantee of future results. Please refer to index definitions and important disclosures at the end of this presentation.**

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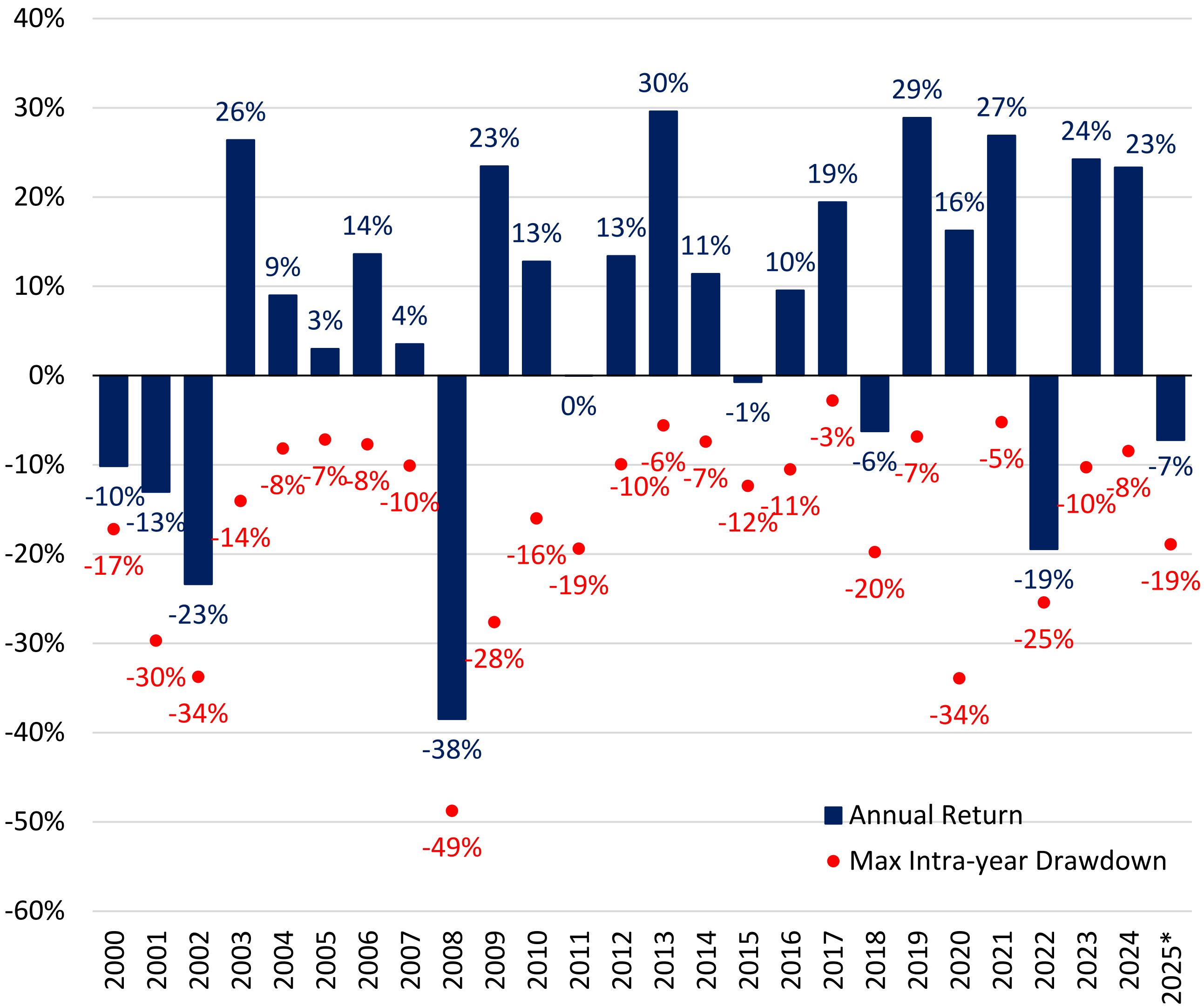
Volatility is Normal

S&P 500 Index Price Return



Insight

- Since 2000, annual returns for the S&P 500 have always been greater than the maximum intra-year drawdown.
- In the 3-, 6-, and 12-months following a >10% correction in the S&P 500, the index has seen average returns of 5.5%, 10.6%, and 13.3%, respectively.**

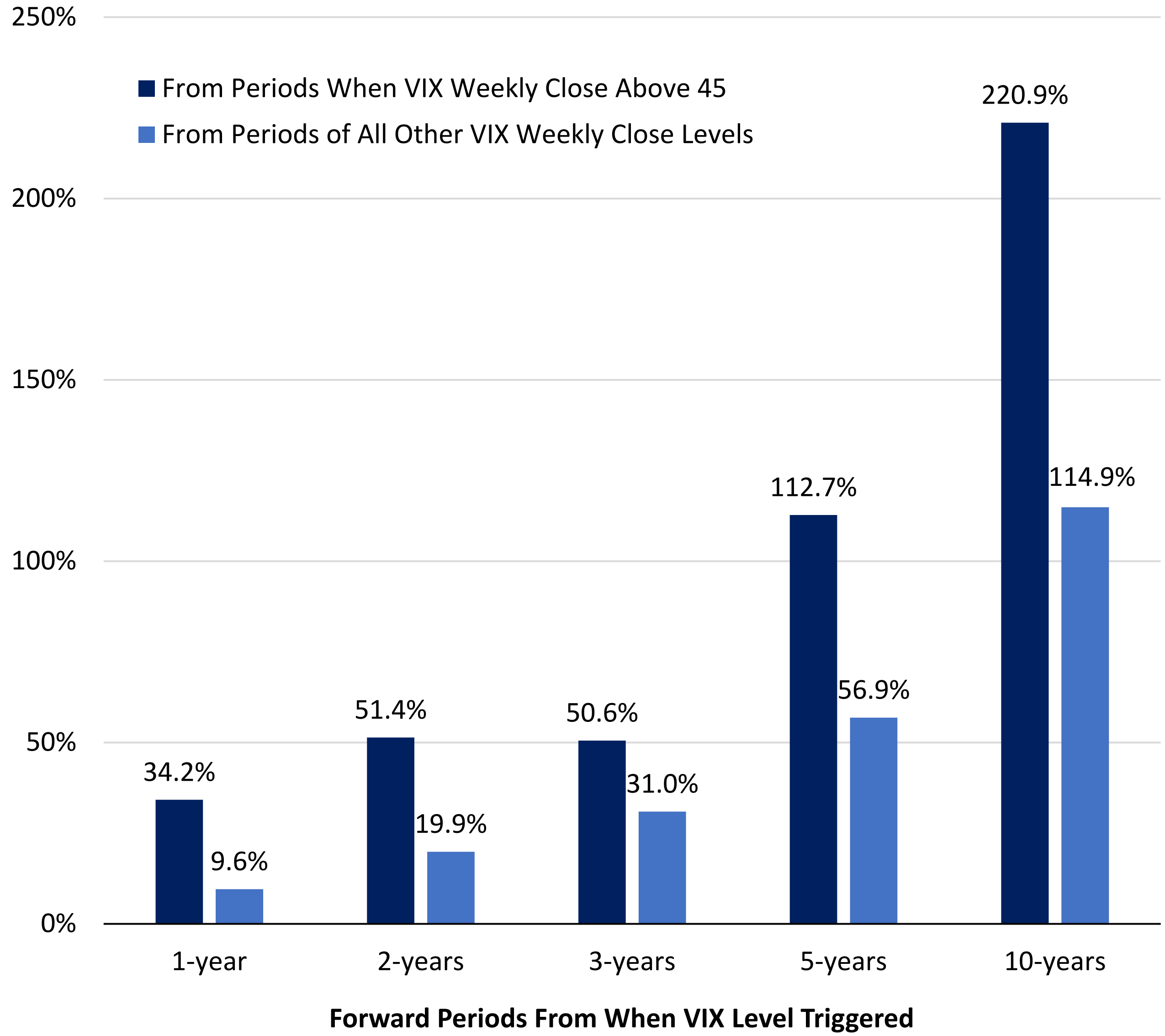
Bottom Line

Market volatility is an integral part of investing, and periods of weakness can provide attractive buying opportunities for investors. In times of tumult, staying calm and staying in the market have generally paid off for investors.

*2025 year-to-date data as of April 8, 2025. **Includes >10% corrections in the S&P 500 from 1980-2024. Source: Bloomberg. Data as of April 8, 2025. **FOR INFORMATIONAL PURPOSES ONLY. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Past performance is no guarantee of future results. Please refer to index definitions and important disclosures at the end of this presentation.**

Volatility Spikes Have Been Opportunities

S&P 500 Average Forward Price Return (Jan 1990 – Apr 2025)



Insight

- In April, the Volatility Index (VIX) closed above 45 for the first time since April 2020.
- These sharp spikes in volatility have historically been positive opportunities for stocks. In the 5-years following the initial greater than 45 level spike, the S&P 500 gained 112.7% on average versus 56.9% for all other VIX levels.

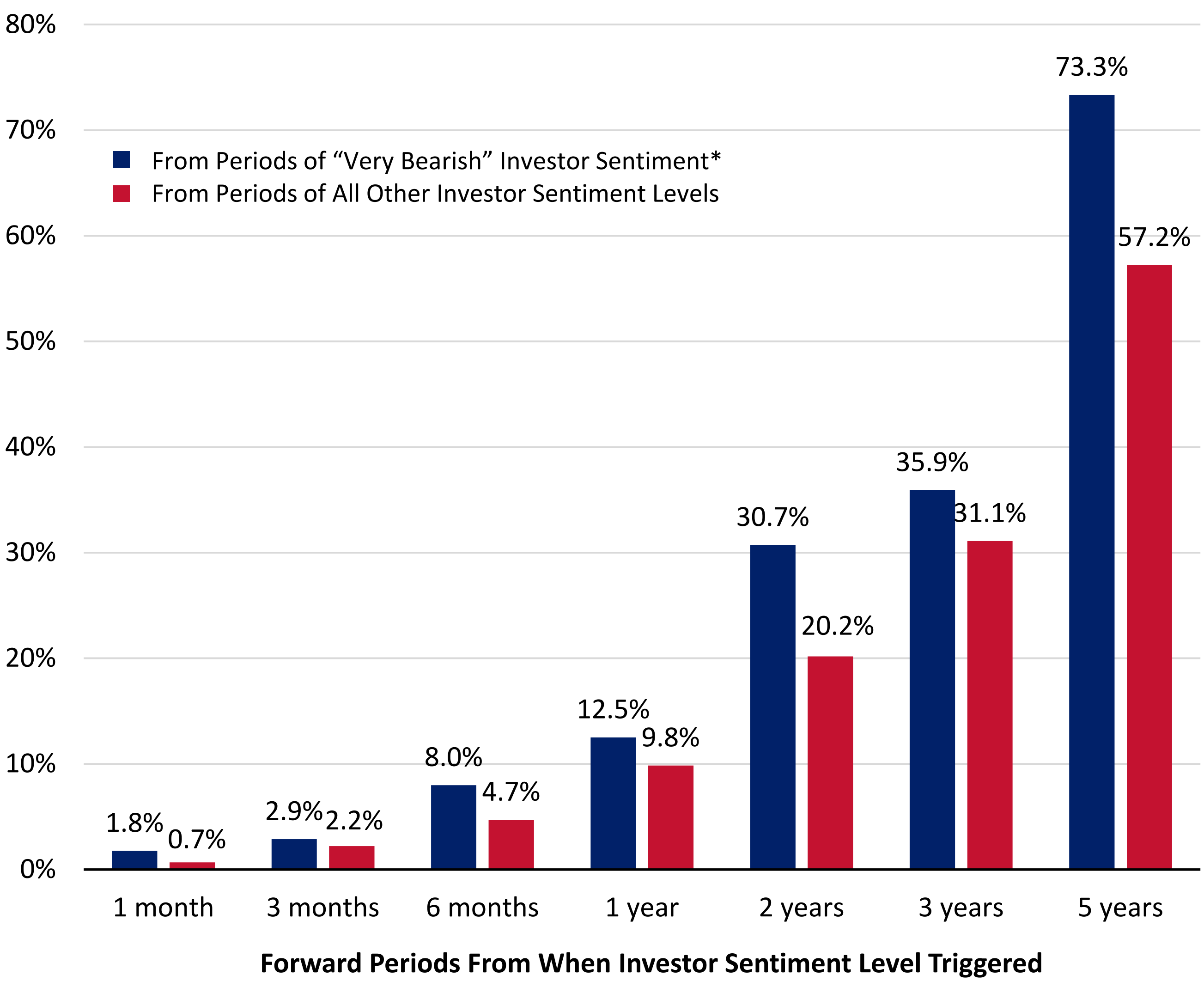
Bottom Line

It may be prudent to lean on systematic and opportunistic rebalancing in periods of sharp volatility and use new money to build back exposures in areas where there may be gaps in the portfolio.

Source: Bloomberg. Data as of April 4, 2025. **FOR INFORMATIONAL PURPOSES ONLY. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Past performance is no guarantee of future results. Please refer to index definitions and important disclosures at the end of this presentation.**

Bearish Sentiment Can Be A Bullish Signal

S&P 500 Average Forward Price Return (Jul 1987 – Apr 2025)



Insight

- Extreme bearishness among investors has typically been followed by strong equity performance.
- On average, the S&P 500 has risen by 73.3% in the 5-years following very bearish sentiment readings.* In all other periods, meanwhile, the S&P 500 has gained 57.2% over the next five years on average.

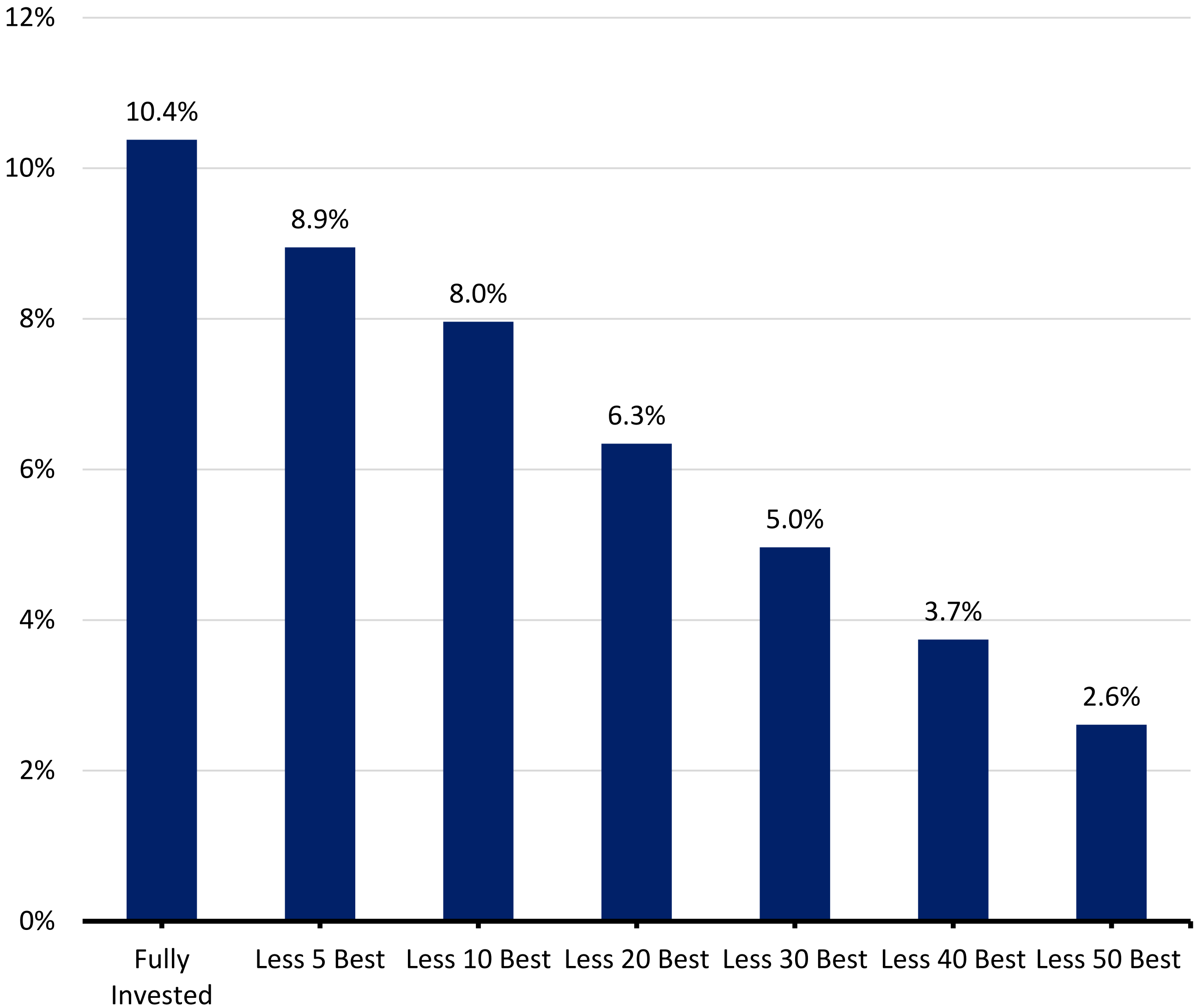
Bottom Line

While emotions may run high in times of market uncertainty, bearish investor sentiment can be used as a contrarian indicator.

*"Very Bearish" investor sentiment defined as when the spread between bullish and bearish sentiment per the American Association of Individual Investors (AAII) survey is more than two standard deviations below the 10-year rolling average. Source: Bloomberg, LPL Research. July 23, 1987 – April 3, 2025 data referenced, as of April 9, 2025. **FOR INFORMATIONAL PURPOSES ONLY. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Past performance is no guarantee of future results. Please refer to index definitions and important disclosures at the end of this presentation.**

Time in the Market Matters

S&P 500 Compound Annual Growth Rate*



Insight

- Excluding the best days of performance for the S&P 500 drastically cuts down returns.
- Excluding the best 50 days of S&P 500 performance, the compound annual growth rate of the S&P 500 since 1990 would be 2.6%—a far cry from the 10.4% annualized return realized if one remained fully invested during that period.

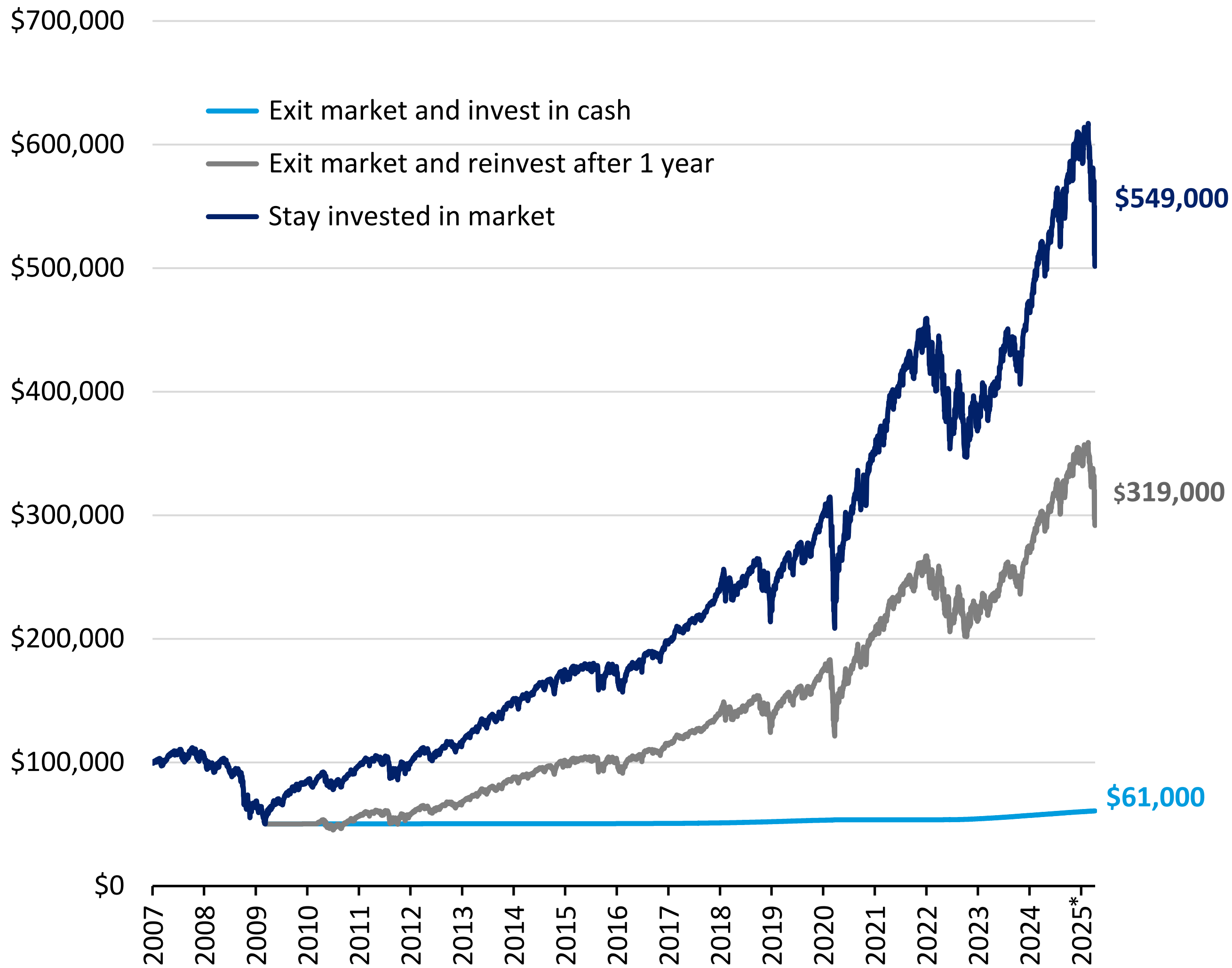
Bottom Line

Time in the market, as opposed to timing the market, is a necessary ingredient of a successful investment strategy. In an attempt to invest at the "perfect time," investors are likely to impair their returns.

*Refers to January 1, 1990 – March 31, 2025 period. Source: Bloomberg. Data as of March 31, 2025. Data reflects S&P 500 Total Return Index performance going back to 1990 incrementally omitting top performing days. **FOR INFORMATIONAL PURPOSES ONLY. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Past performance is no guarantee of future results. Please refer to index definitions and important disclosures at the end of this presentation.**

Staying the Course

Hypothetical Portfolio Value



Insight

- 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 around $61,000 today.
- If you sold at the bottom and reinvested in Equities after one year (i.e., attempted to time the market), you would have about $319,000 today.
- If you had stayed invested throughout the entire time frame, your initial investment of $100,000 would have grown to around $549,000 today.

Bottom Line

Staying invested throughout periods of uncertainty may help achieve better outcomes.

*As of April 9, 2025. Source: Bloomberg. Data as of April 9, 2025. The market is represented by the S&P 500 Total Returns 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. **FOR INFORMATIONAL PURPOSES ONLY. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Past performance is no guarantee of future results. Please refer to index definitions and important disclosures at the end of this presentation.**

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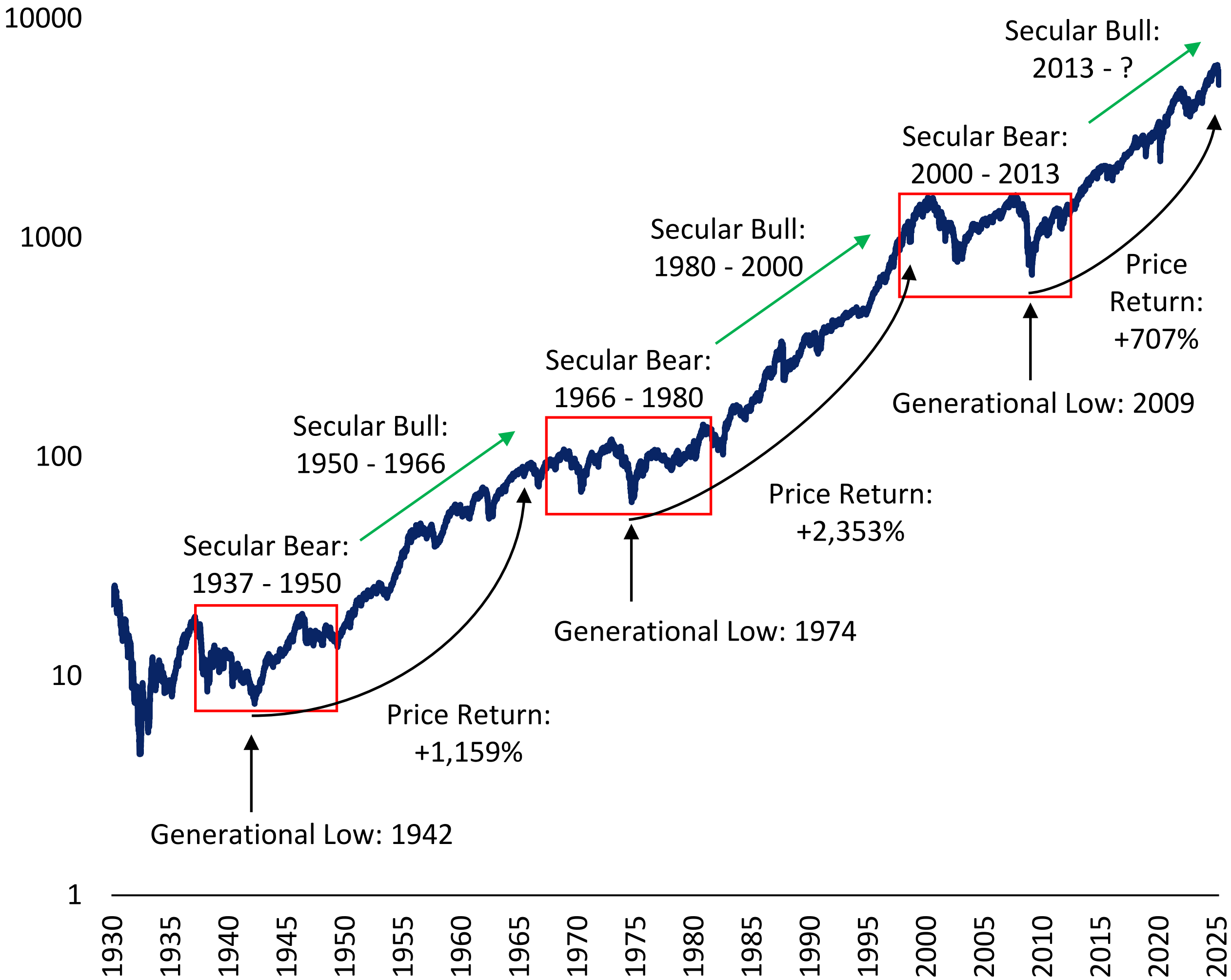
Think Longer-Term

S&P 500 Index (Log Scale)



Insight

- 2025 marks the 12th year of the secular bull market in the S&P 500. The past two secular bull markets lasted 16 and 20 years, which places this uptrend still at a mid-to-late cycle point.
- The S&P 500's long-term 707% run up from the 2009 generational low looks only modest at best compared to the last two secular bull advances that gained +1,159% and +2,353%.

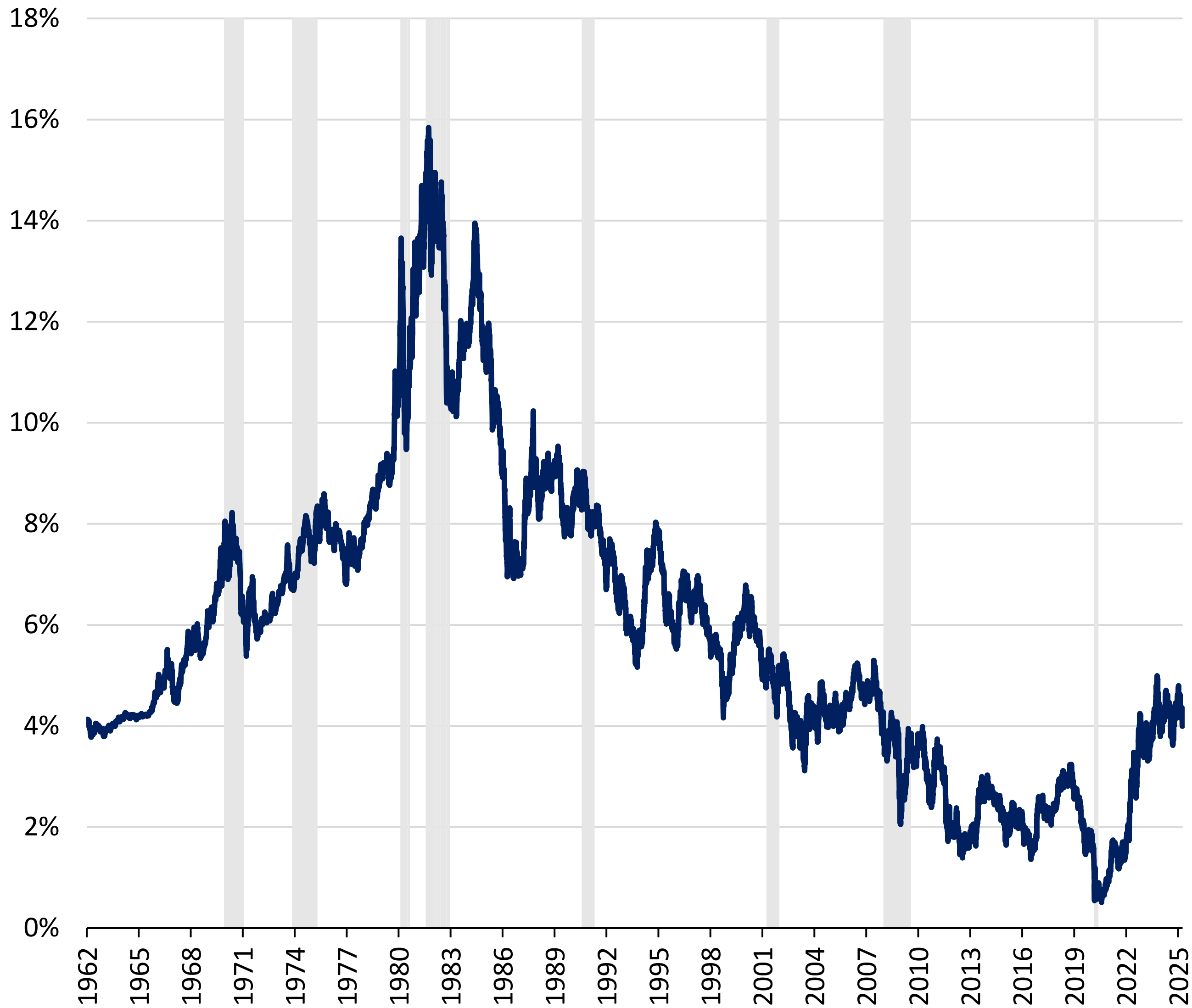
Bottom Line

Secular bull markets are long-term uptrends in Equities that experience multiple business and market cycles.

Sources: Chief Investment Office, BofA Global Research; Bloomberg. Data as of April 9, 2025. **FOR INFORMATIONAL PURPOSES ONLY.** Asset allocation and diversification do not ensure a profit or protect against loss in declining markets. **Past performance is no guarantee of future results. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Please refer to index definitions and important disclosures at the end of this presentation.**

A Reversal of the Secular Decline in Rates

10-year U.S. Treasury Yield



Insight

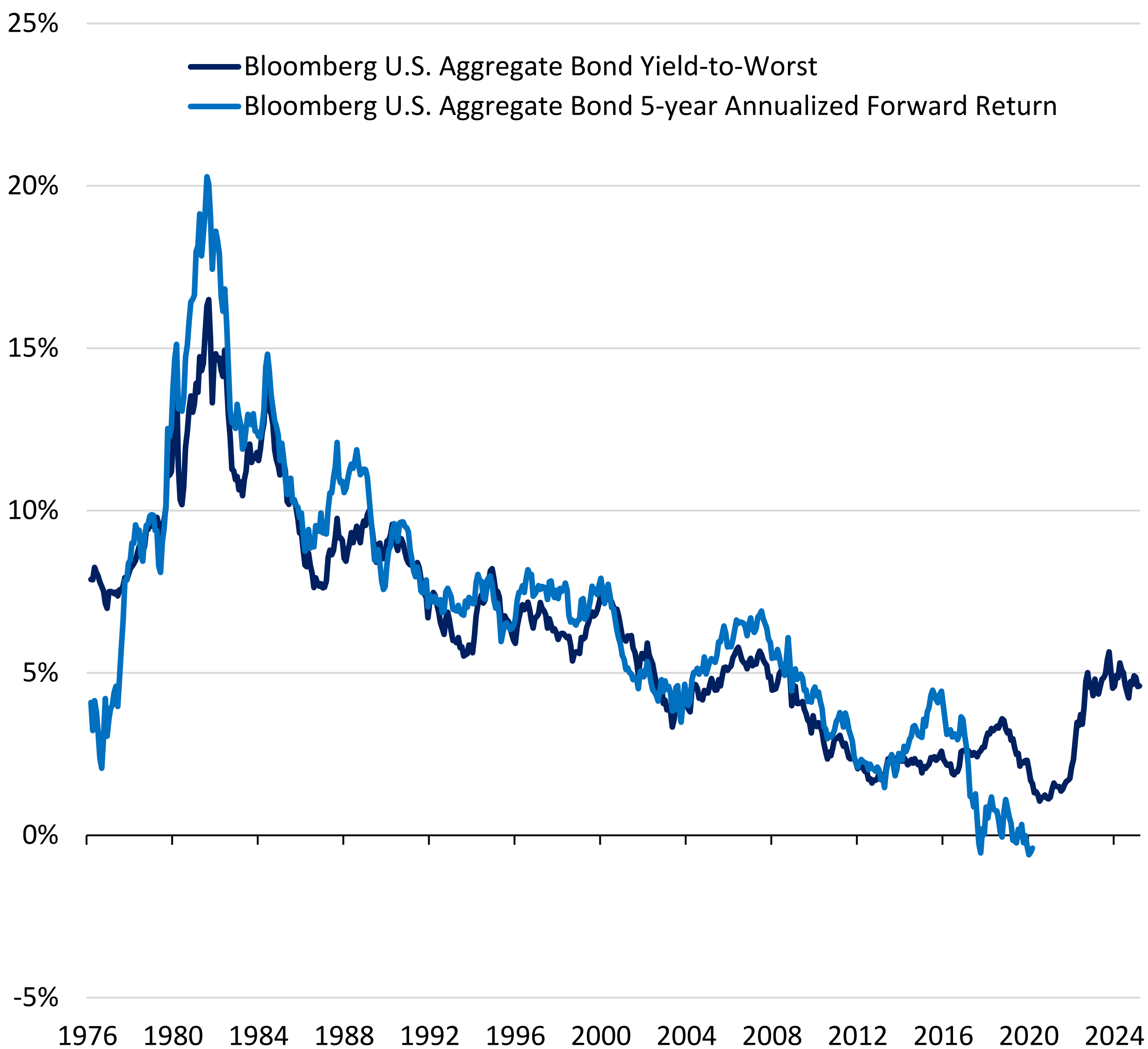
- The persistent rise in bond yields in the last few years amid a change in economic conditions represents a significant shift from the secular decline in bond yields since the 1980s.
- Even amid recent rate volatility, nominal and real yields are still some of the most attractive in the last decades.

Bottom Line

Yields are attractive, providing good diversification benefits for multi-asset class portfolios and reasonable income.

Gray shading = recession. Sources: Bloomberg. Data as of April 9, 2025. **FOR INFORMATIONAL PURPOSES ONLY.** Asset allocation and diversification do not ensure a profit or protect against loss in declining markets. **Past performance is no guarantee of future results. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Please refer to index definitions and important disclosures at the end of this presentation.**

Starting Yields Matter



Insight

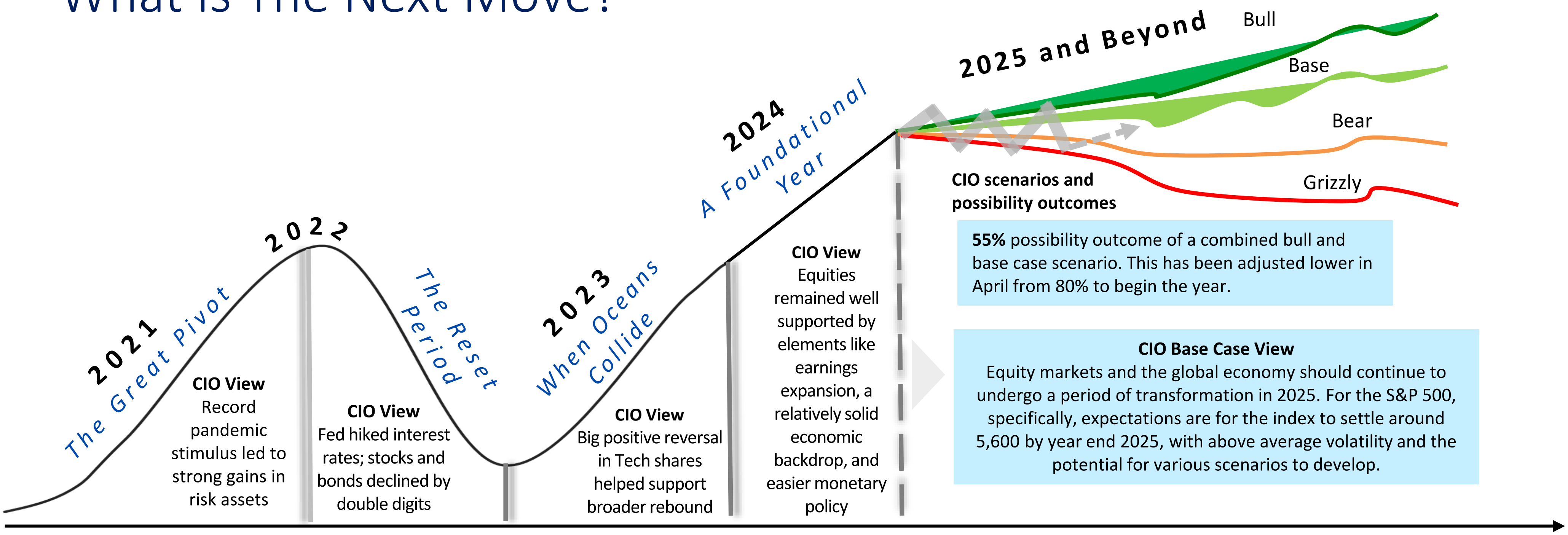
- Yields on the Bloomberg U.S. Aggregate Bond Index were lower roughly 75% of the time relative to the current level in the last two decades.
- Returns over a 3-year or longer timeframe have historically been closely correlated to starting yields. Yields are around 94% correlated with 5-year forward returns.

Bottom Line

Yields are attractive, providing good diversification benefits for multi-asset class portfolios and reasonable income.

Based on monthly data. Source: Bloomberg. Data as of April 9, 2025. **FOR INFORMATIONAL PURPOSES ONLY.** Asset allocation and diversification do not ensure a profit or protect against loss in declining markets. **Past performance is no guarantee of future results. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Please refer to index definitions and important disclosures at the end of this presentation.**

What Is The Next Move?



SCENARIO 1 BULL CASE (approximately 10% possibility outcome)

- Tariffs are negotiated downwards.
- A new economic re-expansion builds, and growth is well above trend in 2025.
- Financial conditions remain easy and inflation trends lower at the same time.
- Yield curve steepens as yields on the back-end rise as economic growth increases above trend.
- Long-term bull market continues as earnings rise higher-than-expected through 2025.
- Cyclical areas lead Equity markets with growth stock momentum resurging.
- S&P 500 climbs back well above new highs.

SCENARIO 2 BASE CASE (approximately 45% possibility outcome)

- Deals are made and some of the announced tariffs are negotiated down.
- U.S. gross domestic product (GDP) overall remains slightly positive, and a recession scenario is avoided, but a negative GDP quarter is likely.
- One-time price increases do not materialize into an “economy-wide” resurgence in inflation.
- Deregulation and tax relief potentially boost growth outlook.
- Fed funds rate is stable with the potential for cuts if needed.
- Earnings growth for S&P 500 is lower than previously anticipated but remains positive in 2025.
- U.S. dollar slightly weaker.
- Broader participation within the Equity markets including non-U.S. stocks.
- Sector dispersion remains wide.

SCENARIO 3 BEAR CASE (approximately 35% possibility outcome)

- Tariffs add 1 to 1.5% to inflation and subtract a similar amount from GDP growth.
- Stagflation worries build as growth slumps below trend and inflation remains above target.
- Expectations for monetary policy are recalibrated.
- Earnings could decline slightly more than 10% in 2025.
- Unemployment rate rises above 5% as recession risk increases.
- Defensive areas of the market outperform.
- Cyclical areas underperform and high-quality Growth outperforms low-quality Value.

SCENARIO 4 GRIZZLY CASE (approximately 10% possibility outcome)

- Tit-for-tat tariffs turn into a full blown “trade war”.
- Sharp economic hard landing, not just deterioration, occurs through 2025.
- Federal Reserve policy requires new emergency measures and aggressive cuts.
- Contains the sharpest fall in earnings by some 20% or more.
- Major widespread stress hits the office property and regional banking sectors.
- Fixed Income significantly outperforms Equities as risk aversion rises sharply.
- U.S. dollar rallies.
- Defensive assets outperform sharply.
- S&P 500 falls further into bear market territory.

Denotes current significant uncertainty sharp volatility. Black line represents the lifecycle of the CIO economic process and is not meant to represent any specific investment, index or performance of any kind.
Source: CIO. Data as of April 10, 2025. CIO views are subject to change. **FOR INFORMATIONAL PURPOSES ONLY.** Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance. **Please refer to index definitions and important disclosures at the end of this presentation.**

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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 Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

S&P 500 Index Price Return is a measurement of the index's performance based solely on the change in the prices of the 500 stocks it includes, without accounting for any dividends or distributions from those stocks. It essentially reflects the capital appreciation of the index.

S&P 500 Total Return Index measures the performance of the S&P 500 index, including not just the price changes of the underlying stocks, but also the reinvestment of dividends paid by those stocks. This provides a more comprehensive view of the investment return than a price-only index.

Chicago Board Options Exchange Volatility Index (VIX) is the annualized implied volatility of a hypothetical S&P 500 stock option with 30 days to expiration.

Bloomberg U.S. Aggregate Bond Index 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.

Cash/ICE BofA U.S. 3-month Treasury Bill Index is a benchmark index representing the performance of a single, outstanding US Treasury bill with a maturity of approximately three months. This index is unmanaged and is designed to track the return of a bill that's purchased at the beginning of each month and held for a full month.

Important Disclosures

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

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