Market Overview

September 2022

Market Overview

1 THE MONTH AT A GLANCE

	SEP
S&P 500	-9.22%
MSCI EAFE	-9.35%
MSCI Emerging Markets	-11.72%
Bloomberg US Aggregate	-4.32%

All returns are total returns as of the month end of the report unless otherwise noted.

Indices are unmanaged and cannot be invested into directly. The returns do not reflect fees, sales charges, or expenses. The results don't reflect any particular investment. Past performance is not indicative of future results.

CAPITAL MARKETS AGGRESSIVELY SELL OFF IN RESPONSE TO THE FED

The downward momentum across capital markets in the back half of August continued throughout September. Markets reacted sharply in response to a Fed that appears to be setting the stage to take a more hawkish stance for longer as the Fed struggles to contain inflation. The S&P 500 fell by over 9% in the month and the Bloomberg US Aggregate fell by over 4%.

There were effectively no places to hide across capital markets, with every sector within the S&P 500 solidly in the red, as well as every major fixed income sector. The S&P 500 slightly outperformed international developed and emerging markets which were down 9.35% and 11.72% respectively, compared to the -9.22% for the S&P 500. The strength of the dollar has continued to create headwinds in emerging markets.

August's inflation report showed monthly price increases re-accelerated and core CPI, which excludes food and energy, turned back upward. The report put more pressure on the Fed ahead of their September meeting. In response, the Fed hiked rates another 75 basis points in mid-September and looks to be on pace for another 50-75 basis point hike in November. In a similar story to prior months, the yield curve moved upwards across the board, though more sharply at the short end of the spectrum as markets adjusted their expectations (again) on future Fed movements.

Across the economy, the job market continues to remain hot with 315 thousand jobs added in August[1] and initial unemployment claims continuing to remain low. However, the consumer has been showing signs of cooling, although at a very gradual pace. Retail sales grew 0.3% in August, but prior month revisions showed consumers have slowed spending over the prior two months[2].

1. Bureau of Labor Statistics
2. Census Bureau

Source: Helios Quantitative Research, Bloomberg

Market Overview

Equity Markets	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	-9.22%	-23.88%	-15.50%	8.13%	9.22%	11.68%
Russell Midcap	-9.27%	-24.27%	-19.41%	5.17%	6.46%	10.29%
Russell 2000	-9.57%	-25.11%	-23.53%	4.25%	3.53%	8.53%
MSCI ACWI	-9.57%	-25.63%	-20.66%	3.74%	4.44%	7.28%
MSCI EAFE	-9.35%	-27.09%	-25.13%	-1.83%	-0.84%	3.67%
MSCI Emerging Markets	-11.72%	-27.16%	-28.11%	-2.06%	-1.81%	1.05%
Fixed Income Markets						
Bloomberg US Aggregate	-4.32%	-14.61%	-14.60%	-3.25%	-0.27%	0.89%
Bloomberg US Treasury	-3.45%	-13.09%	-12.94%	-3.11%	-0.23%	0.50%
Bloomberg US Corporate	-5.26%	-18.72%	-18.53%	-3.65%	-0.03%	1.70%
Bloomberg US MBS	-5.05%	-13.66%	-13.98%	-3.67%	-0.92%	0.51%
Bloomberg Municipal	-3.84%	-12.13%	-11.50%	-1.85%	0.59%	1.79%
Bloomberg US Corporate High Yield	-3.97%	-14.74%	-14.14%	-0.45%	1.57%	3.94%
Bloomberg Global Aggregate	-5.14%	-19.89%	-20.43%	-5.73%	-2.32%	-0.93%
Alternative Markets						
Morningstar Diversified Alternatives	-5.33%	-7.23%	-5.10%	0.58%	0.70%	1.86%
Dow Jones US Real Estate	-12.67%	-28.41%	-17.99%	-1.72%	3.63%	6.38%
Bloomberg Commodity Index	-8.35%	12.42%	10.65%	12.74%	5.71%	-2.82%

MARKET HIGHLIGHTS

- While US large cap outperformed both its smaller domestic markets as well as global markets, there was widespread pain throughout capital markets in September. The weakness has firmly put the S&P 500 back into bear market territory.
- Emerging markets continue to struggle, hit by weaker economic prospects as well as the strength of the dollar. Over the last year, emerging markets have underperformed the S&P 500 by over 14 percentage points.
- Fixed income was painful as well with the Bloomberg US Aggregate notching its third-worst month ever, with only October 1979 and February 1980 being worse. Rolling 1-year volatility on bonds is the highest since the index began publishing daily figures.
- Real estate had a brutal month as well as the housing sector facing significant headwinds in the face of rising rates.

Source: Helios Quantitative Research, Bloomberg

Total returns as of the report date unless otherwise noted. Returns over 1 year are annualized. Indices are unmanaged and cannot be invested into directly. The returns do not reflect fees, sales charges, or expenses and don't reflect any particular investment. Past performance is not indicative of future results.

Market Overview

2 EQUITY SECTOR PERFORMANCE

Ranked S&P 500 Sector Total Returns

SECTOR	SEP
Health Care	-2.60%
Financials	-7.76%
Consumer Staples	-7.99%
Consumer Discretionary	-8.06%
S&P 500	-9.22%
Materials	-9.35%
Energy	-9.45%
Industrials	-10.48%
Utilities	-11.34%
Information Technology	-12.01%
Communication Services	-12.15%
Real Estate	-13.15%

Sector total returns are based on the S&P 500 GICS Level 1 indices.

3 EQUITY STYLE & SIZE PERFORMANCE

Ranked Style, Size, and Geography Total Returns

ASSET CLASS	SEP
Mid Cap Growth	-8.49%
Large Cap Value	-8.78%
Small Cap Growth	-9.00%
S&P 500	-9.22%
Large Cap Blend	-9.26%
Mid Cap Blend	-9.27%
Developed International	-9.35%
Small Cap Blend	-9.57%
Mid Cap Value	-9.70%
Large Cap Growth	-9.72%
Small Cap Value	-10.17%
Emerging Markets	-11.72%

Asset class total returns are based on the Russell 1000, Russell 1000 Growth, Russell 1000 Value, Russell Midcap, Russell Midcap Growth, Russell Midcap Value, Russell 2000, Russell 2000 Growth, Russell 2000 Value, MSCI EAFE, and MSCI Emerging Markets indices.

4 CREDIT SECTOR PERFORMANCE

Ranked Fixed Income Sectors Total Returns

SECTOR	SEP
US Aggregate 1-3 Year	-1.23%
US Agency	-2.10%
US Treasury	-3.45%
Municipal	-3.84%
US Corporate High Yield	-3.97%
US Aggregate	-4.32%
Global High Yield	-5.09%
Global Aggregate	-5.14%
US Corporate	-5.26%
EM Bonds (USD)	-5.53%
TIPS	-6.62%
US Aggregate 10+ Year	-8.27%

Sector total returns are based on the Bloomberg US Aggregate, US Treasury, US Treasury Inflation Notes, US Agency, Municipal, US Corporate, US Corporate High Yield, Global Aggregate, Global High Yield, and EM USD Aggregate indices.

Source: Helios Quantitative Research, Bloomberg

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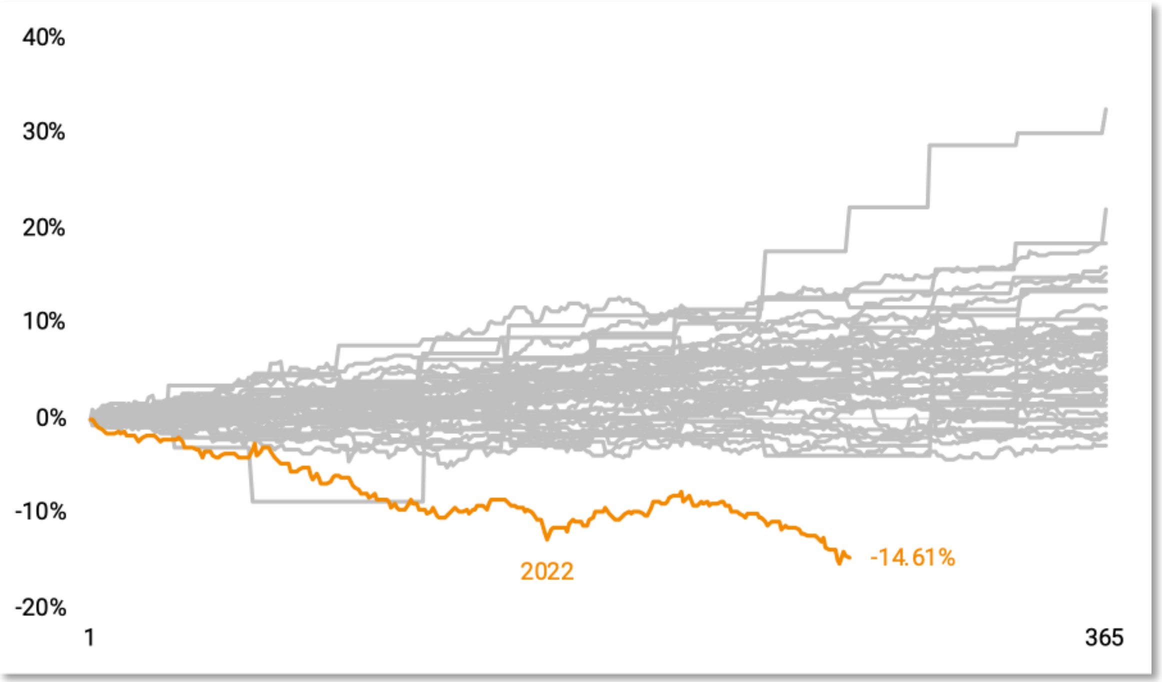
Bonds Have Gotten More Painful

WHAT DOES IT MEAN?

- Since the end of the second quarter, the pain in bond markets has only gotten worse as the Fed has moved into a more hawkish stance over the last couple of months.
- On a year-to-date basis the Bloomberg US Aggregate continues to have its worst year on record, by a considerable margin.
- The next worst return at this point in the year is back in 1981 when the index was down 3.92% and ended the year up 6.25%. The index had its worst full-year return in 1994 when it lost 2.92%.

BONDS CONTINUE TO DIG INTO THEIR WORST YEAR EVER

Bloomberg US Aggregate, calendar year cumulative total returns, 1976 to 9/30/22



Source: Helios Quantitative Research, Bloomberg

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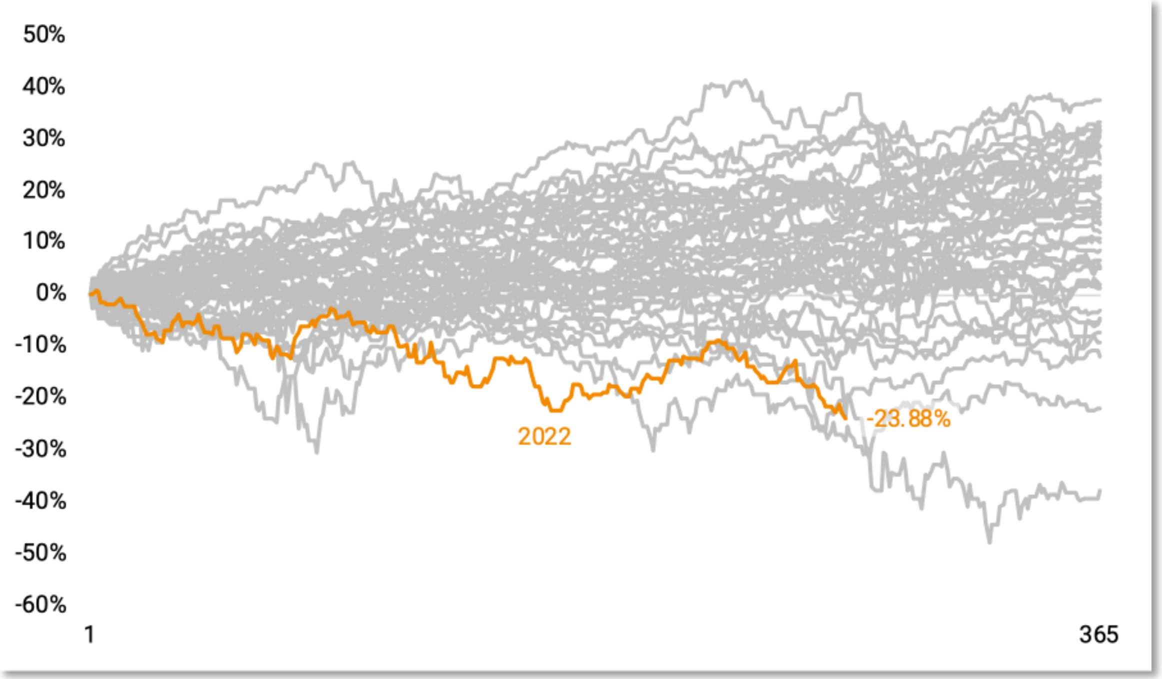
And Stocks Haven’t Been Much Better

WHAT DOES IT MEAN?

- Looking at the same time period as the prior page, Stocks have also had one of their worst, but not *the* worst, year-to-date performances so far.
- Since 1975 only 2008 and 2002 have had a worse experience at this point in the year.

WHILE NOT THE WORST IN RECENT HISTORY, 2022 IS AMONG THEM

S&P 500, calendar year cumulative total returns, 1976 to 9/30/22



Source: Helios Quantitative Research, Bloomberg

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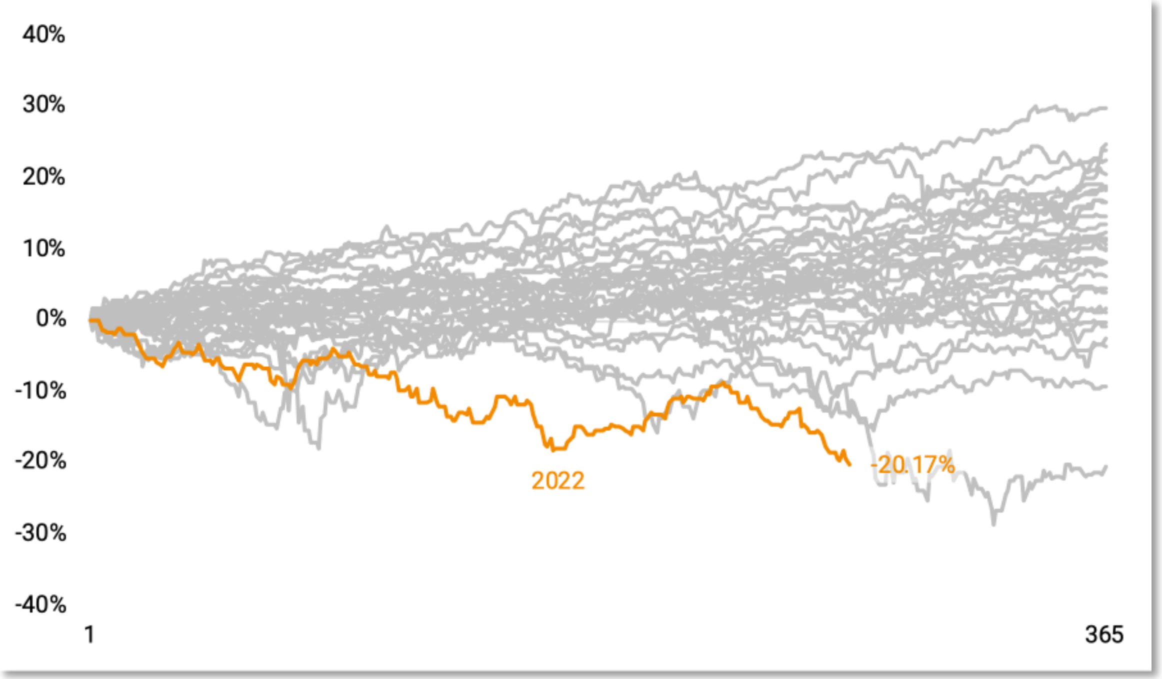
Diversification Hasn't Been Rewarded

WHAT DOES IT MEAN?

- Given how poorly the stock and bond markets have done so far this year, it may not be a surprise that a standard 60/40 portfolio has also had a painful experience.
- Going back to 1990, 2022 has had the worst year-to-date performance for a 60/40 portfolio at this point in the year.
- If the year ends at roughly the same place, only 2008 would have had a worse full-year performance, which ended the year down 20.52% when the S&P 500 was down nearly 40%.
- In a year of aggressive movements in the yield curve, bonds have offered very limited diversification benefits.

PAINFUL RIDE FOR A STANDARD 60/40 PORTFOLIO AS WELL

60% S&P 500 and 40% Bloomberg US Aggregate, calendar year cumulative total returns, 1990 to 9/30/22



Assumes annual rebalancing.
Source: Helios Quantitative Research, Bloomberg
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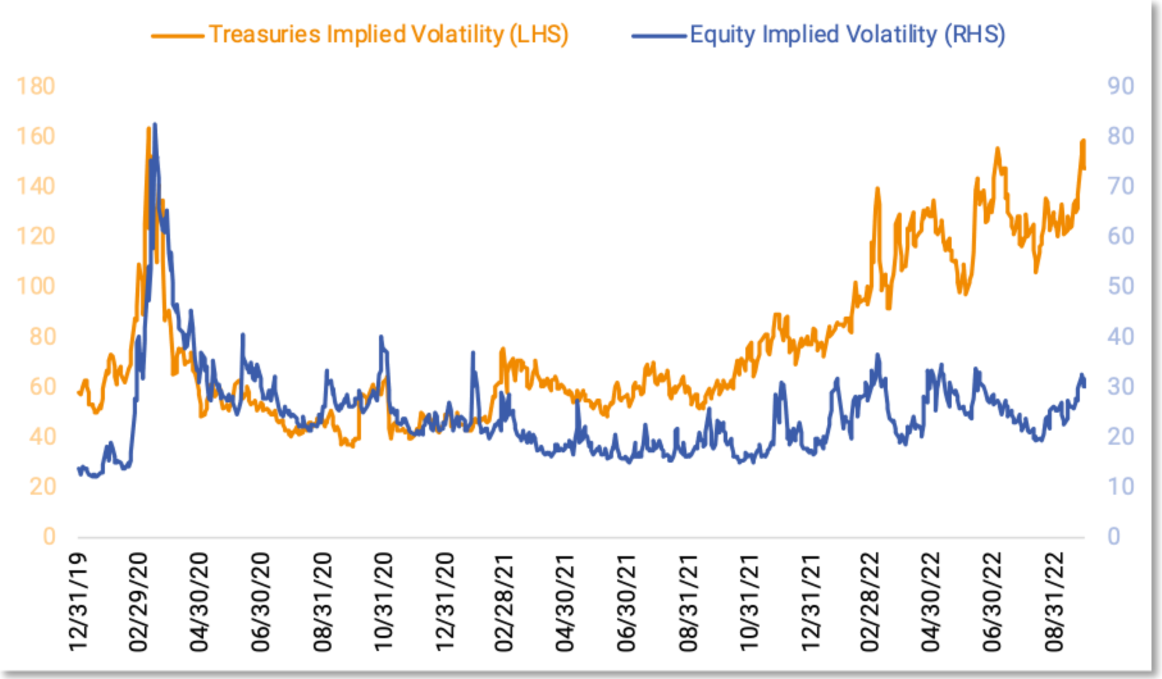
Expected Bond Volatility Surges

WHAT DOES IT MEAN?

- The VIX Index is a frequently discussed gauge of fear in equity markets. However, there is a similar measure for Treasury bonds, called the MOVE Index. Both indices look at the 30-day implied volatility by looking at options markets.
- During the pandemic, both equity and bond implied volatilities surged upward and then came back down.
- However, over the last year and a half, and especially over 2022, bond implied volatilities have once again surged to their pandemic-era highs. Meanwhile, equity volatilities have remained elevated, but haven't seen the same trend.

SHORT-TERM IMPLIED VOLATILITY TRENDS OF BONDS VS. EQUITIES

VIX Index vs. ICE BofA MOVE Index, 12/31/19 to 09/30/22



Note: The absolute values between the two series are not directly comparable, the graph above is *not* saying expectations of bond volatility are higher than equities.

Source: Helios Quantitative Research, Bloomberg

Expectations on Fed Policy

WHAT DOES IT MEAN?

- Focus remains on the Fed, the pace of rate hikes, and how long their hawkish stance will need to continue as they navigate inflation and a potential recession.
- The market is expecting a more hawkish Fed for the remainder of the year, though there is still significant uncertainty about how aggressive the Fed will be in November and December.
- Heading into 2023, the market is partially expecting the Fed to lift off a bit. However, there is still considerable disagreement in the market, which is evidenced by the relatively low levels of probabilities in the chart on the right.

HAWKISH STANCE EXPECTED FOR THE NEXT COUPLE MEETINGS

Probabilities of Fed rate policy target, derived from Fed futures market

	Nov. 2	Dec. 14	Feb. 1	Mar. 15	May 3	Jun. 14
5.00% - 5.25%						
4.75% - 5.00%				6.8%	6.2%	6.1%
4.50% - 4.75%			46.0%	45.9%	42.3%	41.8%
4.25% - 4.50%		53.9%	45.6%	40.0%	40.6%	40.6%
4.00% - 4.25%		44.1%	8.2%	7.0%	10.0%	10.5%
3.75% - 4.00%	56.5%	1.9%	0.3%	0.2%	0.9%	1.0%
3.50% - 3.75%	43.5%				0.0%	0.0%
3.25% - 3.50%						0.0%
3.00% - 3.25%						
2.75% - 3.00%						
2.50% - 2.75%						
2.25% - 2.50%						

Meeting Date

Numbers may not sum to 100% due to rounding.
Source: Helios Quantitative Research, Bloomberg, CME FedWatch Tool values from 09/30/22

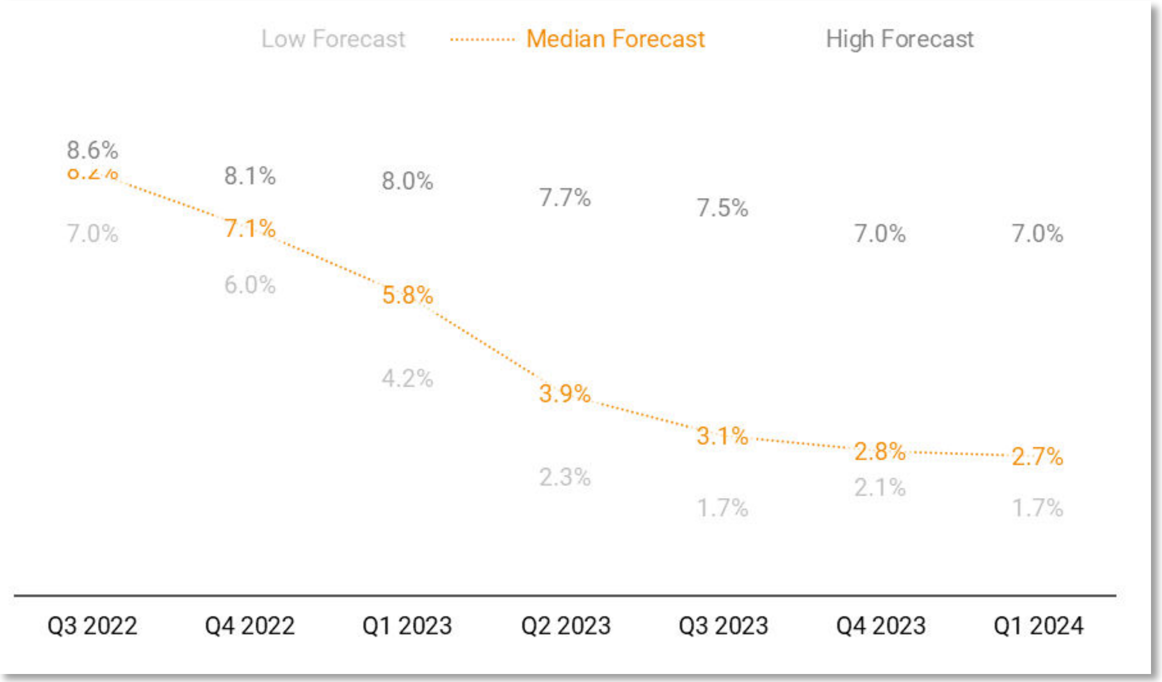
Keeping An Eye On Inflation Expectations

WHAT DOES IT MEAN?

- Inflation continues to be a hot topic and one likely on the mind of many investors. With that in mind, we want to keep an eye on how economists are viewing inflation.
- Over the last month, economists' expectations for future inflation were relatively unchanged, though Q4's expectations lowered a bit and the gap between the low and high forecasts narrowed.
- September's CPI will be released on October 13th.

YEAR-OVER-YEAR CONSUMER PRICE INDEX (CPI) EXPECTATIONS

Economists surveyed by Bloomberg, latest as of September 30, 2022



Source: Helios Quantitative Research, Bloomberg

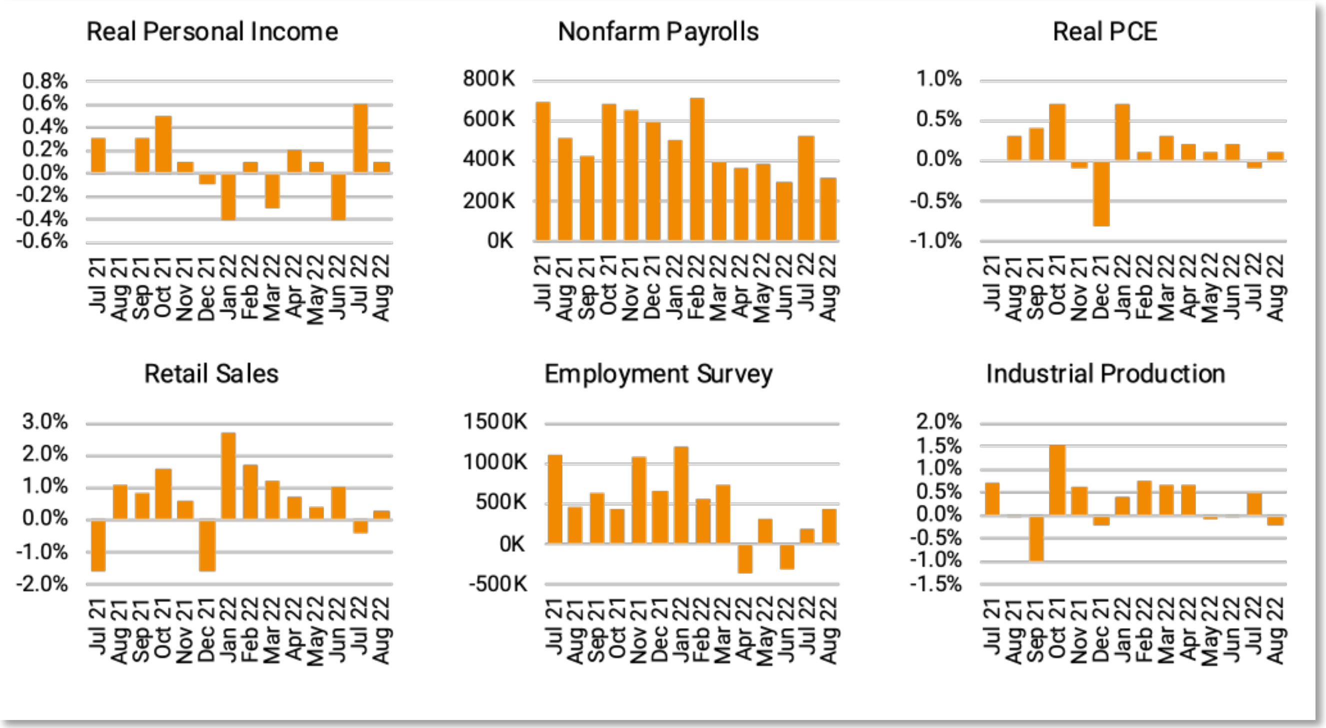
Recession Monitor

WHAT DOES IT MEAN?

- The labor market continues to show strength with resilient nonfarm payrolls and employment survey results. Initial jobless claims, a higher frequency data point that the NBER does not focus on, remains at low levels as well.
- Real personal consumption expenditures (PCE) will be a focus as well as inflation continuing to take its toll on consumer balance sheets, though the hot labor market has cushioned that blow so far.
- While the consumer appears to be slowing, it would appear the data will need to significantly degrade from here for a recession to be declared.

KEY COMPONENTS THE NBER EVALUATES

Monthly changes, July 2021 to August 2022

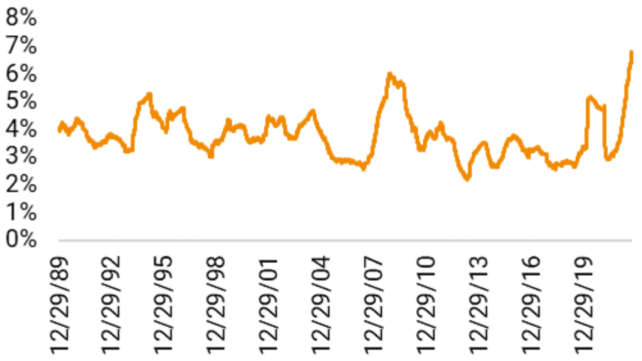


Note: Employment Survey is the size of the civilian labor force from the Bureau of Labor Statistics Current Population Survey.

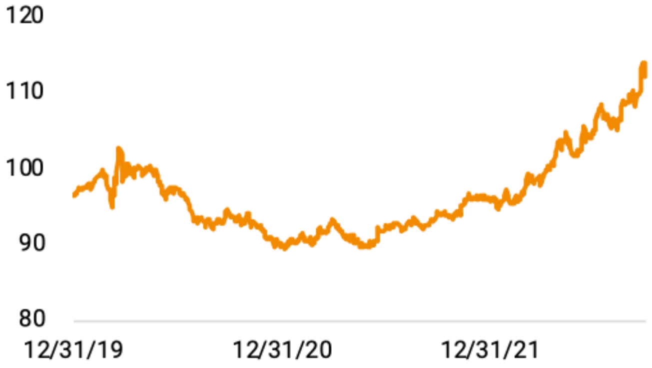
Source: Helios Quantitative Research, Bloomberg, Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, Federal Reserve

Charts of the Month

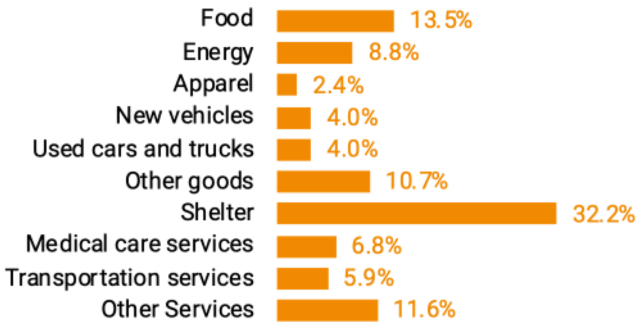
1-YEAR BOND VOLATILITY
Annualized, Bloomberg US Aggregate, 12/29/1989 to



US DOLLAR STRENGTH
DXY Index, 12/31/19 to 9/30/22



CPI COMPONENT IMPORTANCE
August 2022



US EQUITY STYLE BOX
Russell indices, YTD total returns through 9/30/22

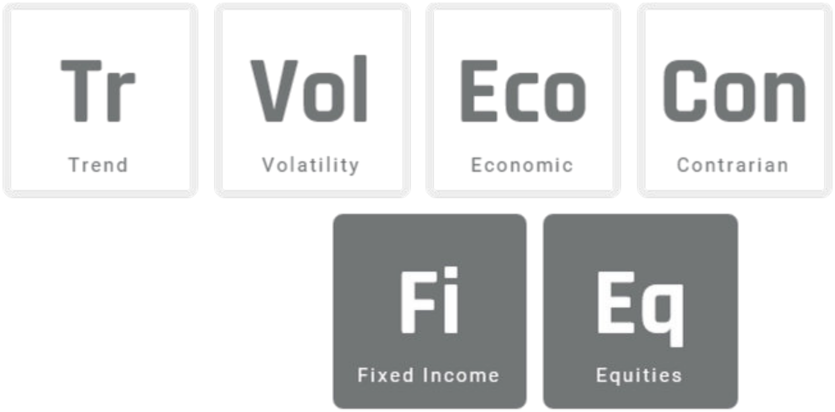
	Growth	Blend	Value
Large	-30.66%	-24.60%	-17.78%
Mid	-31.44%	-24.27%	-20.37%
Small	-29.29%	-25.11%	-21.13%

WHAT'S IMPORTANT

- Rolling 1-year annualized volatility on bonds has skyrocketed to the highest levels the index has seen since it began publishing daily data in 1989.
- The US Dollar has continued to rise, further fueling its surge since mid-2020. The latest surge has been propelled by weakness in both the Euro and Pound.
- While declines in energy helped tamper inflation reports, for headline inflation to fall further, shelter, which comprises nearly one-third of the index, will need to soften.
- Across US equity markets this year, both growth has underperformed with the Russell 1000 Growth losing 30.66% so far this year, compared to the Russell 1000 Value's -17.78%. In both Blend and Value, small cap has underperformed their large and mid cap peers.

Source: Helios Quantitative Research, Bloomberg, Bureau of Labor Statistics

Ecosystem

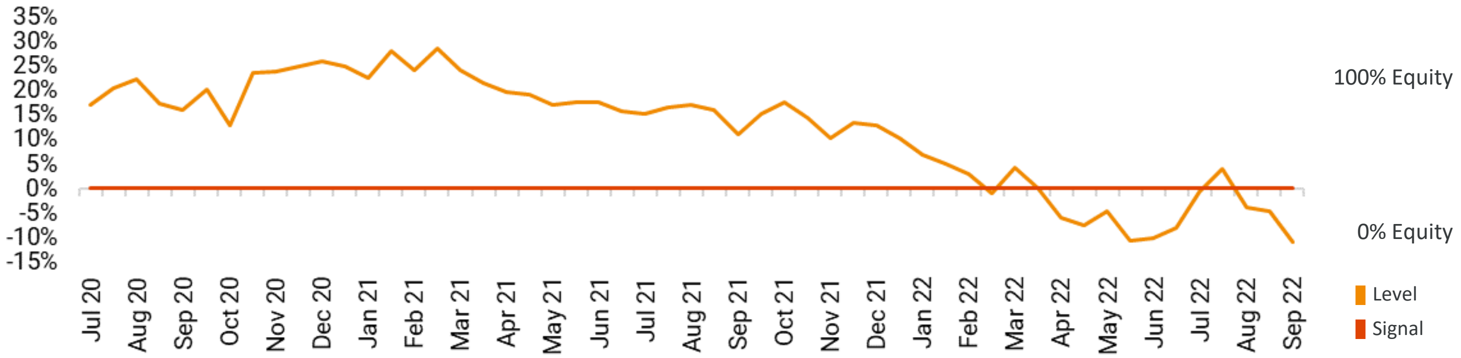

Tr
Trend
Vol
Volatility
Eco
Economic
Con
Contrarian
Fi
Fixed Income
Eq
Equities

Trend Level Element

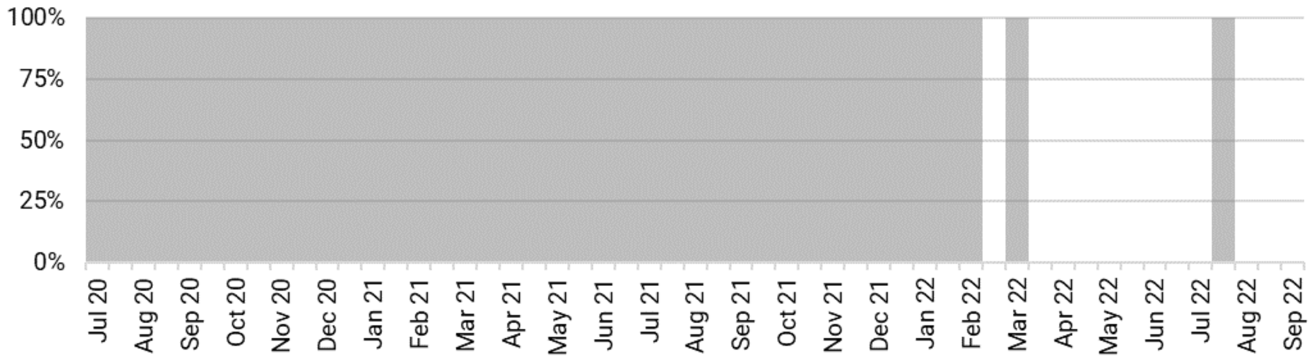
TRADE RATIONALE

Trend maintained a negative view of equities. September was a poor month for equity performance, as the S&P 500 Index reached a new low for 2022 by month end. This further strengthened the negative trend signal; thus, the negative view will hold until we see a significant rally in equities.

SIGNAL



HISTORICAL EXPOSURE



Source: Helios Quantitative Research, Bloomberg

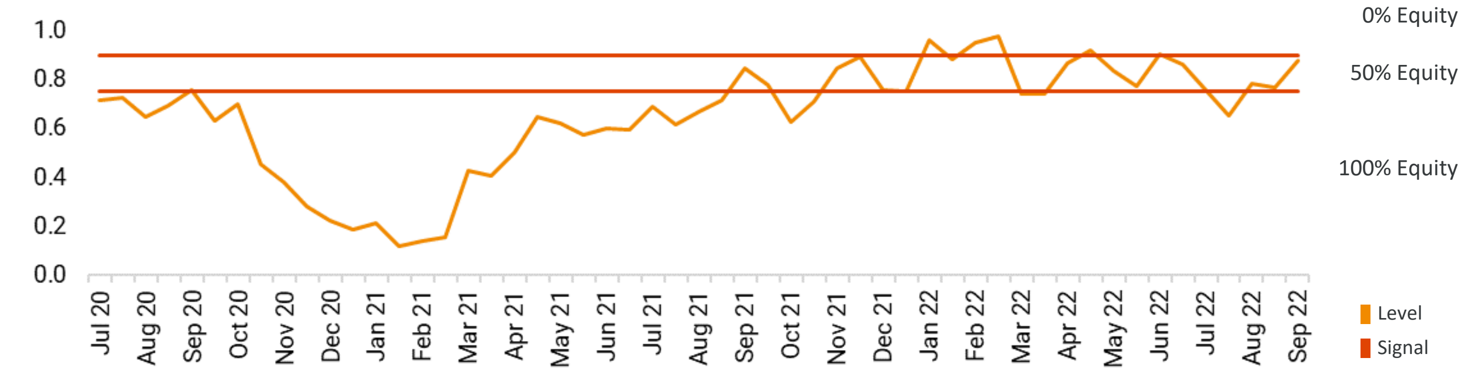
Volatility Level Element

TRADE RATIONALE

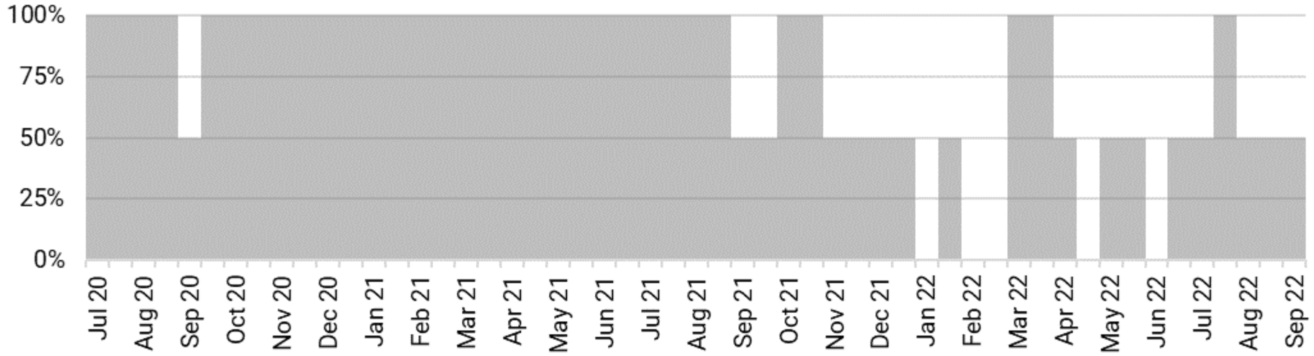
Volatility stayed at a neutral view of equities. Implied risk is greater in the bond market today relative to history than that in equities. Concerns over the health of European banks are the cause of widening credit spreads in the banking sector. Overall, credit risk and equity implied volatility are heightened but not extremely high, yet. Currently, the Volatility Elements suggests caution but not a massive concern.

Vol
Volatility

SIGNAL



HISTORICAL EXPOSURE



Source: Helios Quantitative Research, Bloomberg

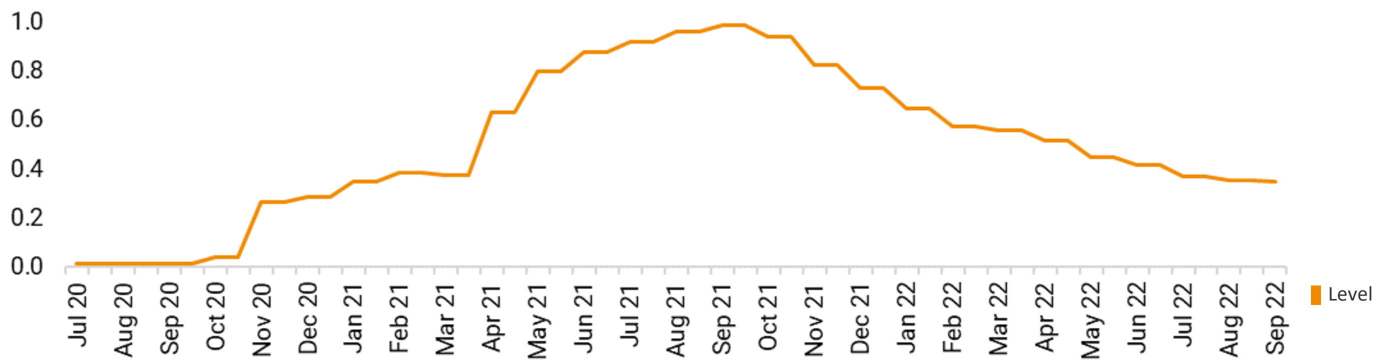
Economic Level Element

TRADE RATIONALE

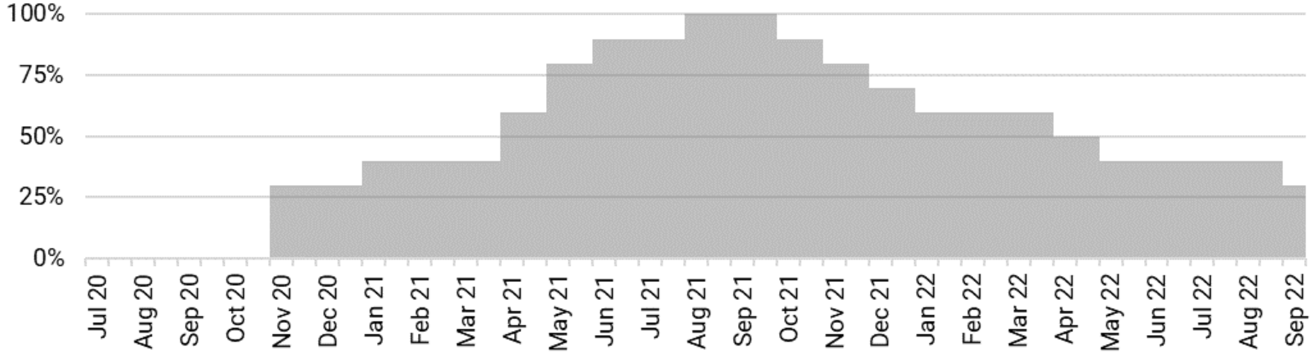
The Economic view weakened slightly in September. Softening housing data and yield curve inversion are weighing on overall leading economic indicators. Sentiment has been poor for some time, but the consumer and employment remain strong. If a recession does materialize, it will likely be driven by rising unemployment and slowing spending activity.

Eco
Economic

SIGNAL



HISTORICAL EXPOSURE



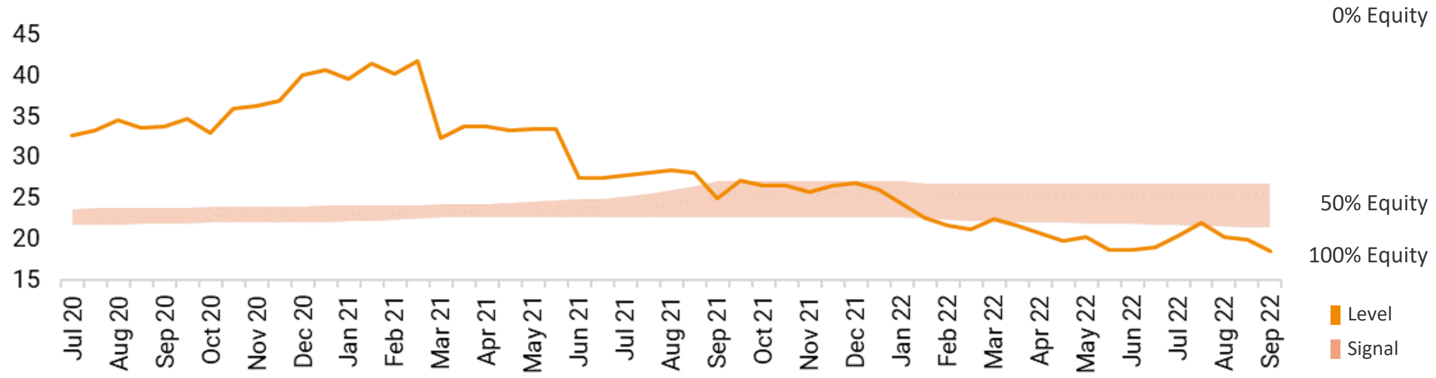
Source: Helios Quantitative Research, Bloomberg

Contrarian Level Element

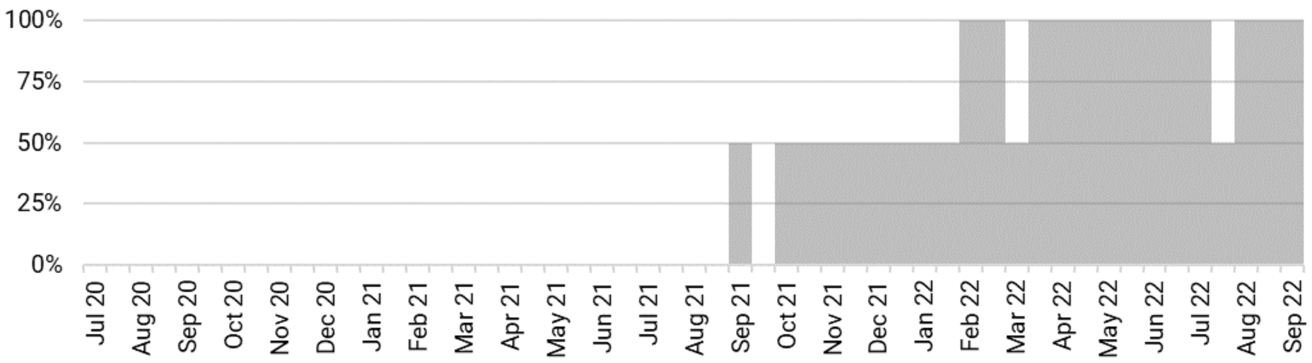
TRADE RATIONALE

Contrarian stayed at a positive view of equities. Valuations of the S&P 500 Index are very low compared to the historically high numbers witnessed in 2020 and 2021. The Contrarian Elements sees this as an opportunity to add risk in hopes that valuations will return near those high levels.

SIGNAL



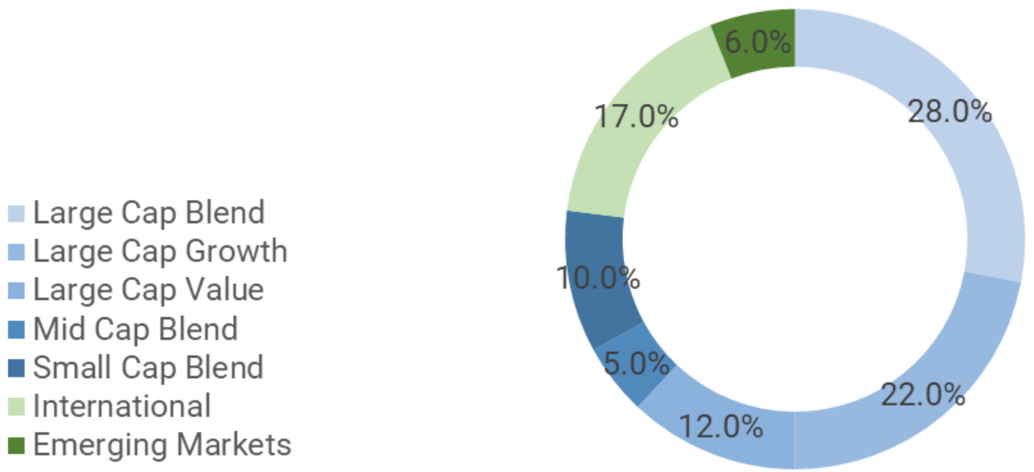
HISTORICAL EXPOSURE



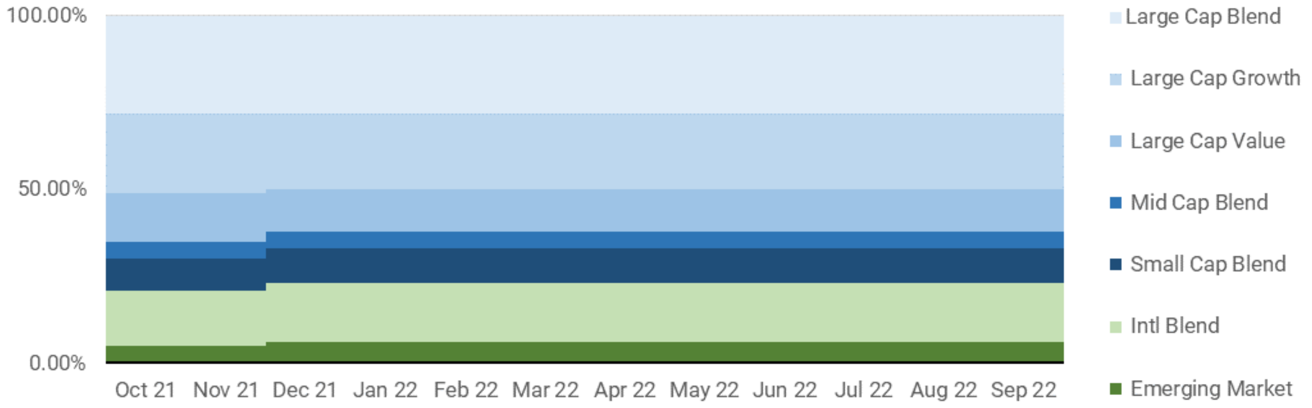
Source: Helios Quantitative Research, Bloomberg

Passive Equity Style Element

SIGNAL



HISTORICAL EXPOSURE



TRADE RATIONALE

No changes to the Passive Equity Style Element. The model rebalanced in November to match the overall return structure of an index comprised of 75% Russell 3000 Index & 25% MSCI ACWI ex-US Index. The next rebalance will be on November 30, 2022.

P
Passive

Source: Helios Quantitative Research, Bloomberg

Active Equity Style Element

SIGNAL

Leading Economic Index	06/30/22	07/31/22	08/31/22	09/30/22	Trend	Position
US LEI Change	-0.02%	-0.22%	-0.20%	-0.13%		**Overweight US Stocks**
Global LEI Change	-0.11%	-0.23%	-0.22%	-0.17%		
US - Global	0.09%	0.01%	0.01%	0.04%		

^

Valuation Ratio						
Growth P/B Ratio	10.39	9.28	10.41	9.93		**Overweight Value Stocks**
Value P/B Ratio	2.52	2.28	2.42	2.36		
G-V Trend	-	-	-	-		

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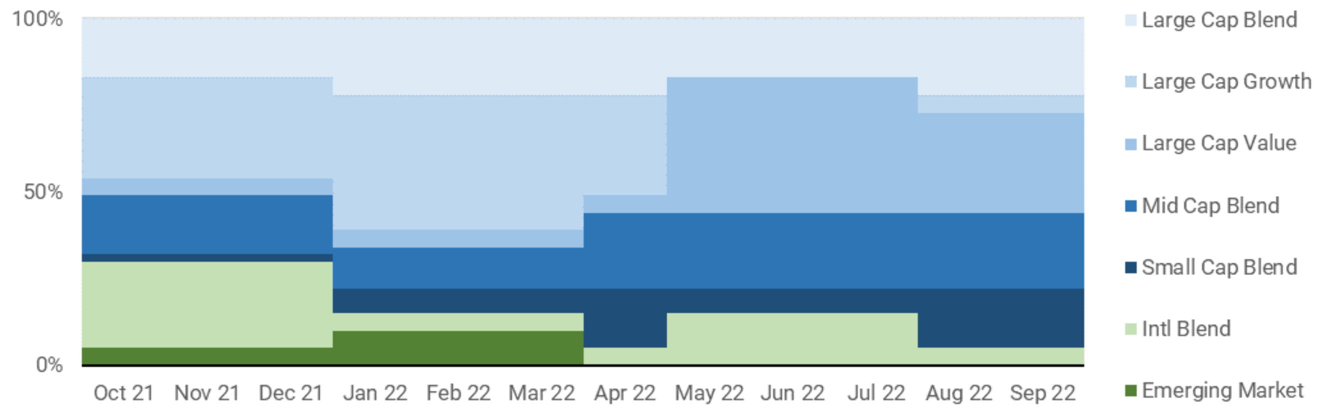
HISTORICAL EXPOSURE



TRADE RATIONALE

The equity style remains unchanged from last month. The US economy is still softening, but the effects of war and energy prices continue to have far greater impacts on the rest of the developed world. The compression of valuations between growth and value stocks continues. A short-term technical view shows that the asset classes with the strongest risk-adjusted momentum are Large Cap Growth, Mid Cap Blend & Small Cap Blend.

A
Active

Source: Helios Quantitative Research, Bloomberg

Active+ Equity Style Element

SIGNAL

Leading Economic Index	06/30/22	07/31/22	08/31/22	09/30/22	Trend	Position
US LEI Change	-0.02%	-0.22%	-0.20%	-0.13%		**Overweight US Stocks**
Global LEI Change	-0.11%	-0.23%	-0.22%	-0.17%		
US - Global	0.09%	0.01%	0.01%	0.04%		

^

Valuation Ratio						
Growth P/B Ratio	10.39	9.28	10.41	9.93		**Overweight Value Stocks**
Value P/B Ratio	2.52	2.28	2.42	2.36		
G-V Trend	-	-	-	-		

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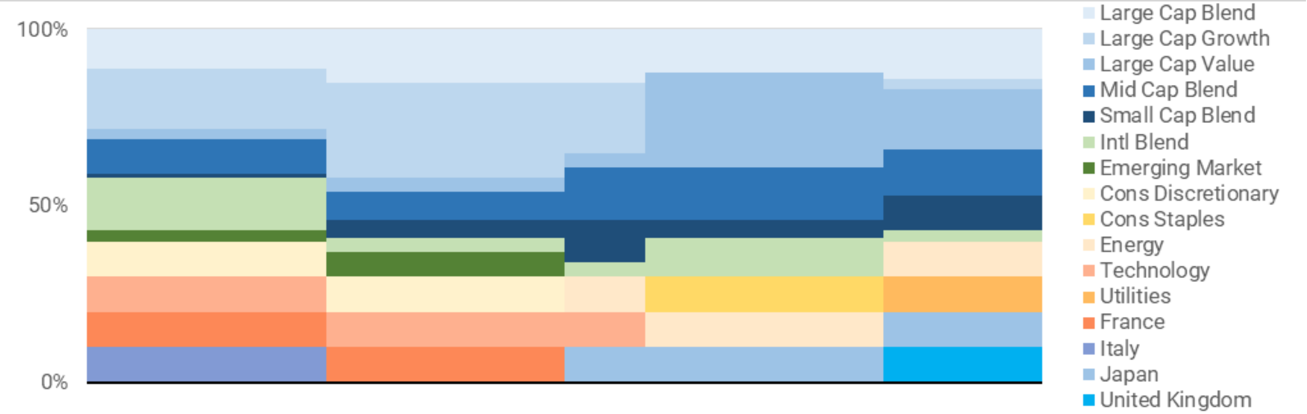
HISTORICAL EXPOSURE



TRADE RATIONALE

The equity style remains unchanged from last month. The US economy is still softening, but the effects of war and energy prices continue to have far greater impacts on the rest of the developed world. The international countries with the strongest data are Japan and the United Kingdom. The compression of valuations between growth and value stocks continues. The strongest trend among sector valuations is in energy and utilities. A short-term technical view shows that the asset classes with the strongest risk-adjusted momentum are Large Cap Growth, Mid Cap Blend & Small Cap Blend.

Source: Helios Quantitative Research, Bloomberg

Active+ Equity Style Element (cont'd)

SIGNAL

Countries	06/30/22	07/31/22	08/31/22	09/30/22	
Canada (EWC)	-0.12%	-0.30%	-0.30%	-0.27%	
France (EWQ)	-0.21%	-0.31%	-0.28%	-0.16%	
Germany (EWG)	-0.17%	-0.33%	-0.33%	-0.44%	
Italy (EWI)	-0.27%	-0.27%	-0.24%	-0.27%	
Japan (EWJ)	0.04%	-0.02%	-0.03%	0.00%	+10%
United Kingdom (EWU)	-0.31%	-0.27%	-0.18%	-0.14%	+10%
Sectors					
Communications (XLC)	-0.66	-0.91	-0.88	-0.89	
Cons Discretionary (XLY)	-1.16	-1.88	-1.81	-1.71	
Cons Staples (XLP)	0.23	0.05	-0.13	-0.22	
Energy (XLE)	0.81	0.66	0.60	0.44	+10%
Financials (XLF)	0.11	0.02	0.01	-0.01	
Health Care (XLV)	0.16	0.00	-0.02	-0.14	
Industrials (XLI)	-0.12	-0.40	-0.40	-0.43	
Materials (XLB)	0.12	-0.09	-0.19	-0.32	
Real Estate (XLRE)	0.14	-0.14	-0.30	-0.44	
Technology (XLK)	-0.90	-1.73	-1.66	-1.67	
Utilities (XLU)	0.19	0.14	0.15	0.12	+10%
Risk-Adjusted Momentum					
Large Cap Growth (IVW)	(1.76)	(0.26)	(0.19)	(0.65)	+5%
Large Cap Value (IVE)	(1.86)	(0.70)	(0.95)	(1.44)	-5%
Mid Cap Blend (IWR)	(1.85)	(0.51)	(0.49)	(0.78)	+5%
Small Cap Blend (IWM)	(1.75)	(0.17)	(0.02)	(0.50)	+5%
Intl Blend (EFA)	(2.08)	(0.52)	(1.48)	(1.74)	-5%
Emerging Market (EEM)	(1.65)	(0.73)	(1.15)	(2.36)	-5%
Last Reblance Date			^		

Source: Helios Quantitative Research, Bloomberg

Equity Style Element - Exposure

GEOGRAPHIC EXPOSURE

	Benchmark	Passive		Active		Active+	
Cash	0.99	0.28	-0.71	0.22	-0.77	0.36	-0.63
US Stocks	73.85	76.24	2.39	93.73	19.88	76.37	2.52
Non-US Stocks	25.15	23.43	-1.72	6.06	-19.09	23.24	-1.91
Bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.01	0.04	0.03	0.00	-0.01	0.03	0.02

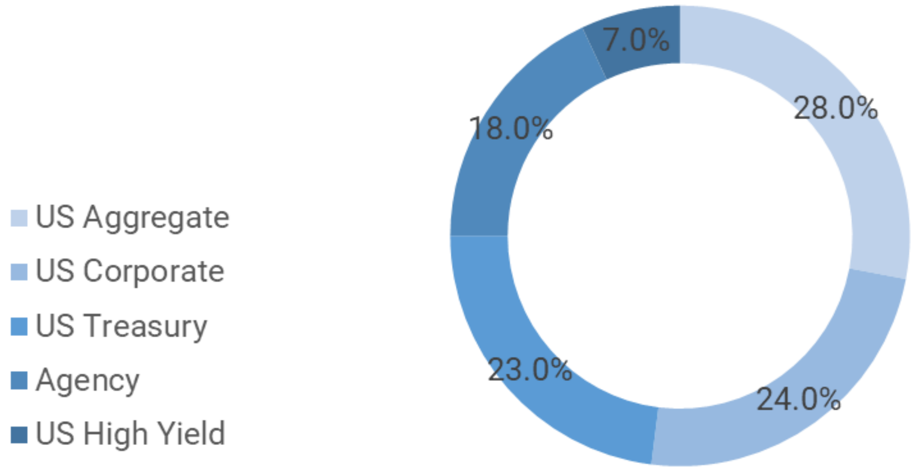
STYLE EXPOSURE

	Benchmark			Passive			Active			Active+		
	V	B	G	V	B	G	V	B	G	V	B	G
L	19	27	30	-2	-1	1	-4	-5	-14	4	-3	-13
M	5	9	4	-1	0	-1	2	6	2	1	6	0
S	2	3	1	1	1	2	4	5	4	1	2	2

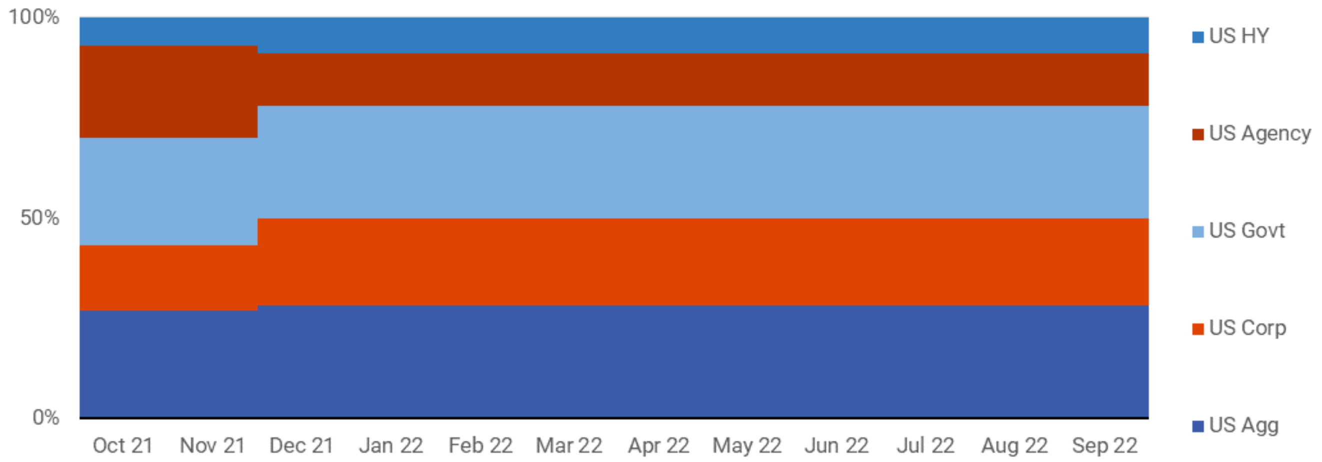
Source: Helios Quantitative Research, Morningstar

Passive Fixed Income Style Element

SIGNAL



HISTORICAL EXPOSURE



TRADE RATIONALE

No changes to the Passive Fixed Income Style Element. The model rebalanced in November to match the overall return structure of the Bloomberg US Universal Total Return Index. The next rebalance will be on November 30, 2022.

P
Passive

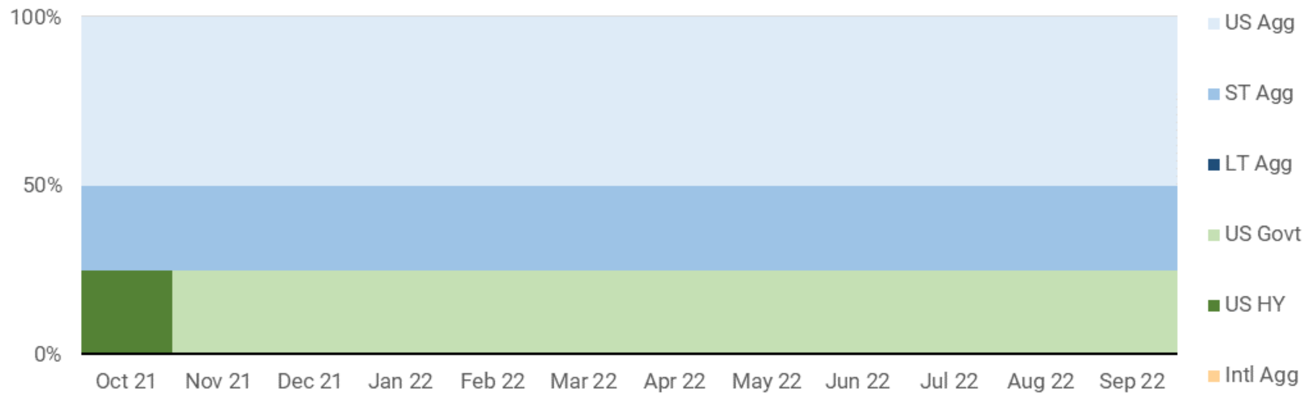
Source: Helios Quantitative Research, Bloomberg

Active Fixed Income Style Element

SIGNAL

Indicator	06/30/22	07/31/22	08/31/22	09/30/22	Trend		Position
Inflation	5.90	5.90	6.30	**6.30**		<	**SHORT DURATION**
2-Year Yield	2.95	2.88	3.49	**4.28**			
10-Year Yield	3.01	2.65	3.19	**3.83**			
Credit Spreads	5.91	5.08	5.22	**5.85**			**TREASURIES**
Intl Agg (BWX)	23.16	23.61	22.26	**20.83**			**0%**

HISTORICAL EXPOSURE



TRADE RATIONALE

The story of fixed income signals remains unchanged. Inflationary data is still very high; the credit spread level in high-yield bonds is still increasing, and interest rates are rising. The element seeks to be conservative in this environment by holding an overweight to short duration and treasury bonds. In addition, international bonds are still out of the allocation because of the negative trend in total return.

A
Active

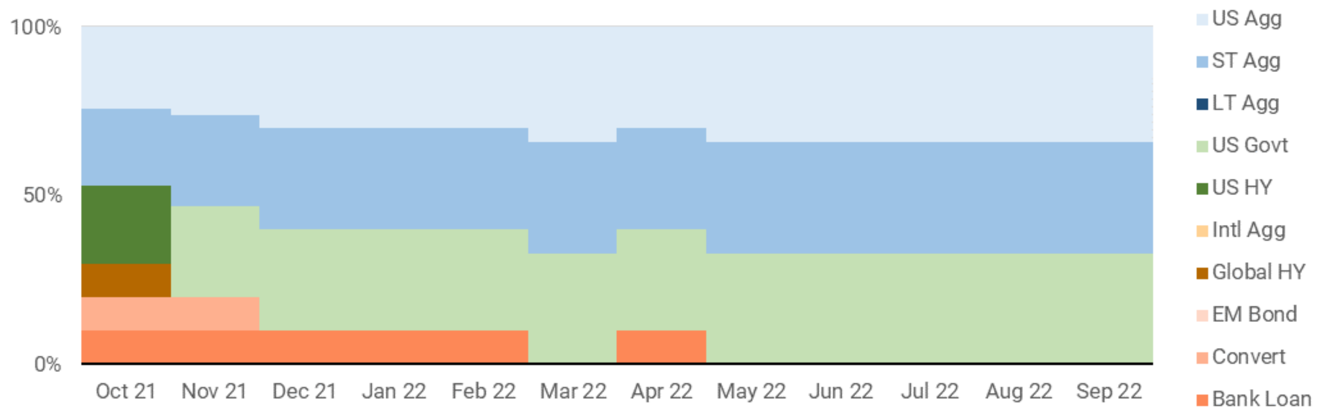
Source: Helios Quantitative Research, Bloomberg

Active+ Fixed Income Style Element

SIGNAL

Indicator	06/30/22	07/31/22	08/31/22	09/30/22	Trend		Position
Inflation	5.90	5.90	6.30	6.30		<	SHORT DURATION
2-Year Yield	2.95	2.88	3.49	4.28			
10-Year Yield	3.01	2.65	3.19	3.83			
Credit Spreads	5.91	5.08	5.22	5.85			TREASURIES
Intl Agg (BWX)	23.16	23.61	22.26	20.83			0%
Global HY (GHYG)	40.63	43.11	40.84	38.91			0%
EM Bond (EMB)	85.32	88.02	85.30	79.40			0%
Convert (CWB)	64.56	67.97	68.02	63.30			0%
Bank Loan (BKLN)	20.27	20.97	20.97	20.19			0%

HISTORICAL EXPOSURE



TRADE RATIONALE

The story of fixed income signals remains unchanged. Inflationary data is still very high; the credit spread level in high-yield bonds is still increasing, and interest rates are rising. The element seeks to be conservative in this environment by holding an overweight to short duration and treasury bonds. In addition, none of the other diversifying asset classes are in the portfolio because of the negative trends in total returns.

Source: Helios Quantitative Research, Bloomberg

Disclosures

Disclosures

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Index Benchmarks presented within this report may not reflect factors relevant for your portfolio or your unique risks, goals or investment objectives. Past performance of an index is not an indication or guarantee of future results. It is not possible to invest directly in an index.

The Bloomberg U.S. Agency Index is comprised of publicly issued debt of U.S. Government agencies and quasi-federal corporations, and corporate debt guaranteed by the U.S. Government.

The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

The Bloomberg Municipal Bond Index is a total return performance benchmark for municipal bonds and have maturities of at least one year.

The Bloomberg U.S. 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 Bloomberg U.S. Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

The Bloomberg U.S. Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The Bloomberg U.S. Universal Total Return Index measures the performance of U.S. dollar-denominated taxable bonds that are rated either investment-grade or high-yield. The index includes U.S. Treasury bonds, investment-grade and high-yield U.S. corporate bonds, mortgage-backed securities and Eurodollar bonds.

The Bloomberg U.S. Aggregate Bond Index, or the Agg, is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States.

Disclosures

The Bloomberg U.S. Treasury Bond® Index includes public obligations of the US Treasury, i.e. US government bonds. Certain Treasury bills are excluded by a maturity constraint. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded.

The Bloomberg U.S. Treasury Inflation-Linked Bond ® Index (Series-L) measures the performance of the U.S. Treasury Inflation Protected Securities (TIPS) market.

The Bloomberg Commodity® Index (BCOM) is a broadly diversified commodity price index distributed by Bloomberg Indexes.

The Bloomberg Emerging Markets USD Aggregate Bond ® Index is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate U.S. dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers.

The Bloomberg Global High Yield Corporate Bond ® Index is a rules-based market-value-weighted index engineered to measure the below-investment-grade, fixed-rate, global corporate bond market.

The CBOE Volatility Index®, or VIX, is a real-time market index representing the market's expectations for volatility over the coming 30 days.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The Dow Jones U.S. Real Estate® Index is designed to track the performance of real estate investment trusts (REIT) and other companies that invest directly or indirectly in real estate.

The Michigan Consumer Sentiment Index (MCSI) is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan.

The Morningstar Diversified Alternatives® index is designed to provide diversified exposure to alternative asset classes while enhancing risk-adjusted portfolio returns when combined with a range of traditional investments.

The MSCI ACWI (Morgan Stanley Capital International All Country World Index) Ex-U.S.® Index is a stock market index comprising of non-U.S. stocks from 22 developed markets and 26 emerging markets.

The MSCI EAFE® (Morgan Stanley Capital International Europe, Australasia, and the Far East) Index is a broad market index of stocks located within countries in Europe, Australasia, and the Middle East.

The MSCI (Morgan Stanley Capital International) Emerging Markets® Index is a selection of stocks that is designed to track the financial performance of key companies in fast-growing nations.

Disclosures

The Russell 1000 Growth® Index measures the performance of the Russell 1000® 's growth segment, which is defined to include firms whose share prices have higher price-to-book ratios and higher expected earnings growth rates.

The Russell 1000 Value® Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected and historical growth rates.

The Russell 2000® Index measures the performance of the 2,000 smaller companies that are included in the Russell 3000® Index, which itself is made up of nearly all U.S. stocks. The Russell 2000® is widely regarded as a bellwether of the U.S. economy because of its focus on smaller companies that focus on the U.S. market.

The Russell 2000 Growth® Index measures the performance of the small- cap growth segment of the US equity universe. It includes those Russell 2000® companies with higher price-to-value ratios and higher forecasted growth values.

The Russell 2000 Value® Index measures the performance of the small-cap segment of the U.S. equity universe. It includes those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 3000 ® Index is a market-capitalization-weighted equity index maintained by FTSE Russell that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S.-traded stocks, which represent about 97% of all U.S.-incorporated equity securities.

The Russell Midcap® Index is a market capitalization-weighted index comprised of 800 publicly traded U.S. companies with market caps of between $2 and $10 billion. The 800 companies in the Russell Midcap® Index are the 800 smallest of the 1,000 companies that comprise Russell 1000® Index.

The Russell Midcap® Value Index measures the performance of the mid- cap value segment of the US equity universe. It includes those Russell Midcap® Index companies with lower price-to-book ratios and lower forecasted growth values.

The S&P 500® Index, or the Standard & Poor's 500® Index, is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies.

The S&P 500 Global Industry Classification Standard ® (GICS) sectors is a classification system developed by S&P Indices and MSCI Barra in 1999 in response to the global financial community’s need for one complete, consistent set of global sector and industry definitions.

The ICE BofA (Intercontinental Exchange Bank of America) U.S. Bond Market Option Volatility Estimate Index (MOVE), formerly known as the Merrill Lynch Option Volatility Estimate Index, measures U.S. bond market yield volatility by tracking a basket of over-the-counter options on U.S. Treasury notes and bonds. The basket is comprised of at-the-money one-month options on the current 2-year, 5-year, 10-year and 30-year Treasuries. The index value is equal to the average of the implied normal yield volatility of the four options, where the 10- year option is given a 40% weight and the other basket components each hold a 20% share.

Disclosures

SPDR Bloomberg International Treasury Bond ETF (BWX) tracks a market-value-weighted index of investment-grade, fixed-rate government bonds issued by countries outside the US.

The iShares U.S. & Intl High Yield Corp Bond ETF (GHYG) seeks to track the investment results of an index composed of U.S. dollar, euro, British pound sterling and Canadian dollar-denominated, high yield corporate bonds.

The iShares J.P. Morgan USD Emerging Markets Bond ETF (EMB) seeks to track the investment results of an index composed of U.S. dollar-denominated, emerging market bonds.

The SPDR® Bloomberg Convertible Securities ETF (CWB) seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the Bloomberg U.S. Convertible Liquid Bond Index (the "Index"). It seeks to provide exposure to the market of U.S. convertible securities with an issue amount of at least $350 million and a par amount outstanding of at least $250 million.

The U.S. Dollar Index – known as USDX, DXY, DX and USD Index – is a measure of the value of the United States Dollar (USD) against a weighted basket of currencies used by U.S. trade partners. The index will rise if the Dollar strengthens against these currencies and fall if it weakens.

The National Bureau of Economic Research (NBER) is an American non-profit, non-partisan organization dedicated to conducting and to disseminating unbiased economic research among public policymakers, business professionals, and the academic community. The NBER is well known for providing start and end dates for recessions in the United States.

Implied volatility is the market's forecast of a likely movement in a security's price. It is a metric used by investors to estimate future fluctuations (volatility) of a security's price based on certain predictive factors. Implied volatility is denoted by the symbol σ (sigma).

The implied volatility from Treasury derivatives (Treasury 'yield implied volatility') predicts the level and volatility of macroeconomic activity such as the growth rates of GDP, industrial production, consumption, and employment.

Left Hand side (LHS) expression = Right Hand side (RHS) expression. In mathematics, LHS is informal shorthand for the left-hand side of an equation. Similarly, RHS is the right-hand side. The two sides have the same value, expressed differently, since equality is symmetric.

The price-to-book ratio (P/B ratio) is used to compare a firm's market capitalization to its book value. It's calculated by dividing the company's stock price per share by its book value per share (BVPS).