Top (from left to right): Fitzroy Whyte, John Vessa, Richard Frank, Corey Fleisher, Jeffrey Winik, Jeffrey Di Napoli. Bottom (from left to right): Hugo Rea; Client Service Associate, Dawn Mazzey; Registered Client Service Associate, Diana Patrascu; Director of Investments, Iraida Gonzalez; Group Director, Katherine Khouri; Director of Business Strategy

Q4 2023

EXECUTIVE SUMMARY

Despite many odds, the market turned out to be much more resilient in 2023 than what most were calling for. Better than-expected economic growth was enabled by strong fiscal spending as treasury issuance supported an ample amount of liquidity in the market. For its part, the Federal Reserve's loan program to support the regional banks in the earlier part of the year also infused extra liquidity into the system. These actions combined have offset all the financial tightening from the Fed's rate hikes. Businesses and consumers, buffered by their strong balance sheets, demonstrated less interest rate sensitivity than in the past and were able to continue spending. This translated into earnings results that beat lowered expectations, despite being flat from the prior year. While the performance of most stocks reflected this, a handful of names that were perceived to be winners in the artificial intelligence (AI) race disproportionately drove the strong performance of the entire S&P 500 Index. Nevertheless, the market's price action remained highly dependent upon the macro data and the anticipated response it would get from the Fed. Weaker data towards the end of October catalyzed a November rally that gained further steam into year end after the Fed's dovish pivot. From its November to December meetings, the Fed increased its guidance for 2024 rate cuts from two to three, causing a massive repricing lower in the 10-year Treasury yield. The expectation of a more dovish Fed has helped support a broadening out of market participation. We expect this to continue next year, setting up a better outlook for bonds and stocks outside of the "Magnificent Seven".

Current Thoughts

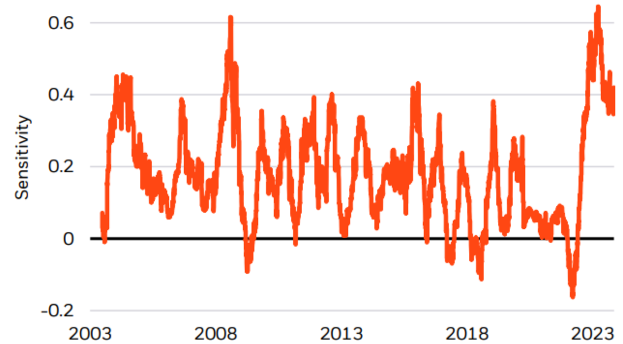
- We expect to see more inflows into both stocks and bonds in the near term as investors try to get ahead of the Fed and the "fear of missing out" sets in.
- We see better opportunities in high quality stocks that have not fully participated in 2023's rally.
- We continue to be opportunistic with fixed income as we believe we have seen a peak in interest rates. We remain neutral on duration as any surprise in inflation can cause a sharp repricing in rates.
- The market, the Fed and the 10-year Treasury are all likely to remain sensitive to inflation as well as sudden shifts in labor market data.
- While we acknowledge that the battle against inflation isn't over, we believe the worst is now behind us.
- We expect growth to slow as the economy normalizes after a long period of support from fiscal spending and ample liquidity.
- Given the resilience of the consumer, the strong labor market and strong corporate balance sheets, we see no catalysts for rate cuts in the near term and view current market forecasts as aggressive.
- We continue to view structured products and alternative investments as options to mitigate risk and portfolio diversifiers for eligible investors, where appropriate.

Markets

2023 has been the year of multiple and ever-changing narratives. Markets have quickly shifted from fears that higher rates and inflation would ultimately result in a recession to hopes for a soft economic landing and expectations for an aggressive amount of Fed cuts. Despite strong performance at the index level, this has been a headwind to most stocks and bonds. Many investors spent the earlier part of the year loading up on treasuries and money markets that were finally yielding something attractive while they waited for a pullback. That pullback finally occurred in August, when growth surprised to the upside as seen via strong Q3 readings in employment, retail sales, personal spending and third quarter GDP. This prompted the Fed to state that lowering inflation would get more difficult and may warrant one more hike this year and potentially two more in 2024. This caused the 10-year Treasury to temporarily hit 5% by the end of October and catalyze a technical 10% correction. The S&P 500 posted negative returns each month from August through October. However, bad news soon became good news once the economic data started to weaken. The Conference Board's Leading Economic Index fell 0.7% versus expectations for a 0.3% decline. The ISM's Manufacturing PMI also disappointed, falling further into contraction, at 46.7, while new orders fell to 45.5. The jobs data also disappointed, showing that fewer jobs were created versus expectations. October non-farm payrolls were half the rate of September and well below expectations while the unemployment rate moved up to 3.9%.[1] The market interpreted this positively as a sign that the Fed may be finished with rate hikes. Surely enough, the Fed left rates unchanged at both the November and December meetings. The softening data led the Fed to increase its guidance for 2024 rate cuts to three from two at the most recent December meeting. This dovish pivot in addition to less coupon issuance than expected from the Treasury led to an about face in yields, with the 10-year treasury breaking below 4% and further advancing a rally premised on the expectations of Fed rate cuts in 2024. Both stocks and bonds joined in this rally and market breadth expanded to more speculative parts of the market including small caps and cyclicals. While we see opportunities in 2024, we remind investors that the data remains ever changing. History suggests that the line between bad news being good, and bad news being bad is fragile and all it takes is one major surprise or upset for the tables to quickly turn.

Yield swings on short-term surprises

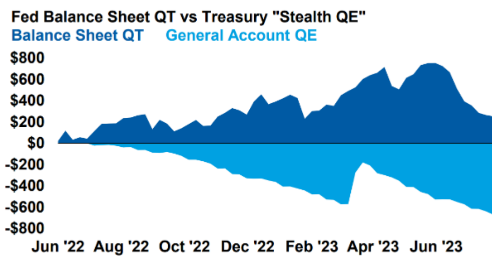
Sensitivity of U.S. 10-year yield to economic surprises, 2003-2023



Source: BlackRock Investment Institute, with data from LSEG Datastream, December 2023.

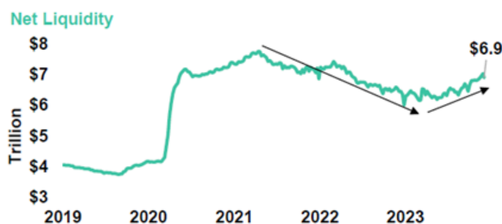
Inflation has been a driving factor in predicting the Fed's next moves. It is important to note that, so far, the reduction in inflation has strictly come from supply side factors and not from demand destruction. The threat of stubborn inflation comes from excess liquidity, which has thus far continued to fuel the market. Despite the real cost of capital doubling from a year ago, financial conditions have remained loose. The Fed's March rescue of the regional banking system was designed to preserve market liquidity. The new loan program allowed banks to pledge US treasuries, agency mortgages and other qualifying assets at par value in exchange for loans with maturities of up to one year. This liquidity line essentially eliminated the need for banks to sell high-quality securities at a loss to meet deposit withdrawal shortfalls. In addition, government spending continued to surprise to the upside and has remained well above the long run trend. In 2023, the substantial increase in the supply of treasuries expected to fund the government's expenditures has offset just about all of the Fed's tightening.

1 The GIC Weekly – November 6, 2023 (Morgan Stanley Publication)



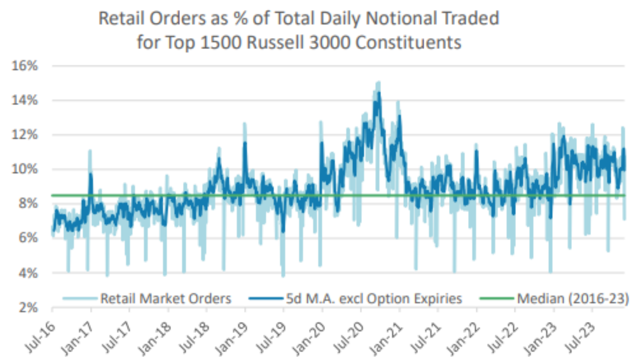
We don't see a repeat of this next year as federal spending is constrained by Washington gridlock and expected to be paired back following Fitch Ratings' downgrade of the US Treasury's debt. Recent drivers of the nearly one percentage point of GDP growth in the federal deficit—most notably deferred tax revenues and the ramp-up in spending from key bills—will soon be in the rearview mirror.[2] As the economy appears to be on relatively strong footing, we think legislative action that expands deficits is unlikely until at least after the 2024 election.

Net liquidity for the market has been increasing all year and has been very supportive of equity valuations. In the fourth quarter in particular, we've seen lower oil prices and a weaker dollar also contribute to excess liquidity, a complete reversal from the third quarter. However, we view these last two variables as wildcards that can easily be influenced by external macro factors.



Source: Morgan Stanley & Co. Research, Bloomberg as of December 6, 2023

While many investors worried and warned about the long and variable lags of the impact from higher rates, this cycle has been an anomaly because household and corporate balance sheets have remained unscathed from them. The economy has clearly become much less interest rate sensitive than it has been historically. Corporates and households have generally avoided the pain of tighter lending standards as most have locked in lower rates during 2020 and 2021, when lending standards were more favorable. That has allowed debt demand to remain relatively low despite constrained debt supply and has allowed the consumer to keep spending despite higher inflation related pricing. Furthermore, $5 trillion of fiscal payments to small businesses and vulnerable populations, Social Security cost-of-living adjustments and excess household savings have insulated consumption. To some extent, we believe that the past year's peak interest rates have further added to investors' and corporations' cash bucket, as higher rates produced an excess level of income. This is partially why we are more optimistic for next year. Despite the economy slowing, we expect to see some of that excess cash make its way off the sidelines and into the market. To add some context, our Quantitative Equity Strategy team recently noted that Retail participation is currently at 9.9% of the total market volume, and at 78th percentile relative to the last 6 years.[3]

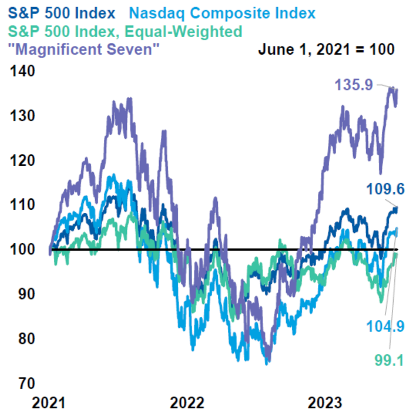


Source: Morgan Stanley Research, Morgan Stanley Quantitative and Derivative Strategies, Compustat

We believe 2024 will be a year that favors a more idiosyncratic environment. Due to extreme index concentration in the market cap weighted S&P 500 Index, the index as a whole has been able to perform quite well in 2023 despite lackluster performance in most of its constituents. The bulk of this year's earnings can be attributed to the strong performance of the "Magnificent Seven" stocks.

2 On the Markets – December 2023 (Morgan Stanley Publication)

3 US Equity Strategy; Weekly Warm-up - December 11, 2023



Source: Morgan Stanley Wealth Management GIC, Bloomberg as of December 8, 2023.
"Magnificent 7" refers to Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, Tesla.

To be fair, cost discipline among mega cap technology companies in addition to prospects related to artificial intelligence, has helped them deliver better earnings over the last twelve months.

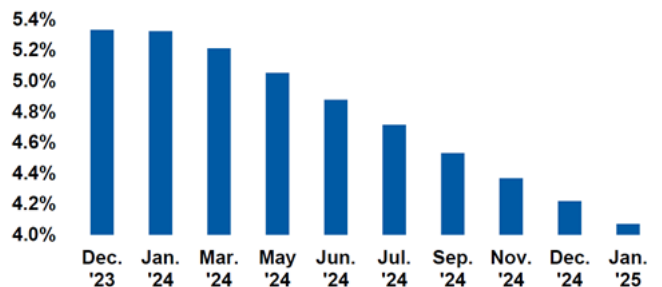
	S&P 500 Index, Cap-Weighted	Nasdaq Composite Index	S&P 500 Index, Equal-Weighted	"Magnificent Seven"
YTD Change in Price Index	19.9%	37.6%	6.2%	73.1%
Change in Earnings, Trailing 12 Months	-2.4%	-5.2%	-9.1%	20.5%
YTD Change in P/E Multiple	21.4%	29.9%	4.1%	44.7%

Source: Morgan Stanley Wealth Management GIC, Bloomberg as of December 8, 2023

We believe there are additional opportunities for stock-picking underneath the surface, where valuations are more compelling. For instance, we have seen a disproportionate sell off in medical devices due to the growing popularity of weight loss drugs. However, many of these companies are set to benefit as more people lose enough weight to qualify as patients for these devices. In a similar fashion, many staples in the food and snacks business have traded down on the view that their sales will be impacted immediately. We also see opportunities in select industrial REITs which have sold off due to higher interest rates. Overall, many interest rate sensitive stocks may see improved performance if the Fed is done hiking. We have already seen a brief rally in cyclicals including small caps on the back of lower rates. Investors often forget that since the beginning of 2022, gold has outperformed equities and the S&P 500 Index has yet to take out its 2021 and early 2022 high. This showcases that despite this year's strong performance, we have yet to escape the bear market.

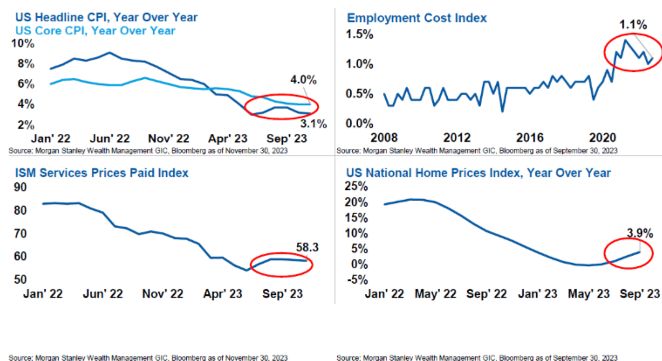
Source: Morgan Stanley Wealth Management GIC, Bloomberg as of December 8, 2023

We still recommend sticking to higher quality stocks that are in control of their own destiny beyond macro factors. While inflation as a whole is on its way down, the parts of inflation that are linked to services are not. This is unlikely to get ignored by the Fed and leads us to believe that the market is still pricing in more cuts than what we might actually get. In fact, the Fed Funds Futures Market is still pricing in five rate cuts in 2024, despite the Fed's indication for only three.

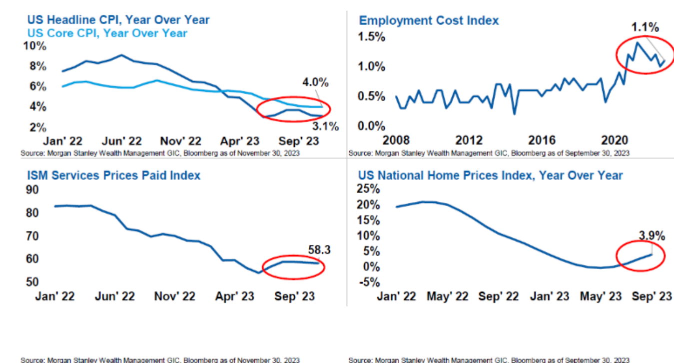


Source: Morgan Stanley & Co. Research, Bloomberg as of December 8, 2023

The ISM Services Prices Paid Index ticked up, core CPI continues to run at 4%, which is double the Fed's target, and labor costs have increased again last month. Rent prices have also continued to climb. Overall, the inflation story remains mixed and far from being resolved.



Part of that is attributed to a strong labor market which has supported consumer spending. With that being said, while lower income households are showing signs of increased financial stress, on aggregate, consumer financial conditions remain much stronger than they were before the Great Financial Crisis. While the US consumer remains resilient, spending is still outpacing income while credit card balances are swelling. Overall, we expect consumer spending to grow more slowly rather than shrink.



We expect business spending to be positive yet moderate. Spending on artificial intelligence remains strong while and federal government has provided incentives for increasing semiconductor manufacturing. However, businesses will have to react to slower revenue growth as their customers are expected to increase cost discipline.

Structural tightness in the labor market has allowed the economy to continue creating jobs and has allowed the unemployment rate to remain steady. In fact, it has fallen further once again, with the most recent reading of unemployment hovering at 3.7%. A lot of that is trying to make up for the loss of labor market participation that we've seen post Covid from the 55+ age cohort, many of whom have retired early from the work force. In addition, many highly skilled technology workers that were laid off have been getting hired elsewhere. While many believe that artificial intelligence (AI) might reduce the need for labor, we expect the opposite in the near term as most companies will need to hire consultants and other specialists in order to figure out how to best implement it. Demand for labor also continues to be strong in the service sectors which may have more room to run. We have seen a meaningful influx of immigration this year which can further contribute to both demand as well as a larger labor pool. Given the hiring challenges during the pandemic and the continuing shortage of labor, companies are more likely to hold on to employees in order to remain prepared during periods of high demand. The unemployment rate has been in a narrow band of between 3.4% and 4% since December 2021 and is likely to remain in this range in the year ahead. Lastly, productivity has seen solid gains over the past year with output per worker rising by 1.1%.[4] This could improve further in the 2024, supporting our view for positive growth, even if it is slowing from a higher base. While we still have a soft landing as our base case, we do not believe it will come from easier policy in the near term. Markets may get disappointed by rate cuts not coming as soon as they would like. However, we also note that markets are forward looking. We continue to advocate for quality and avoid more speculative parts of the markets regardless of what appears to be cheap. While 2023 saw an unwinding of recession fears that were priced in at the end of 2022, we do not want investors to think 2024 will see the same run up across the board as a soft-landing view has become consensus.

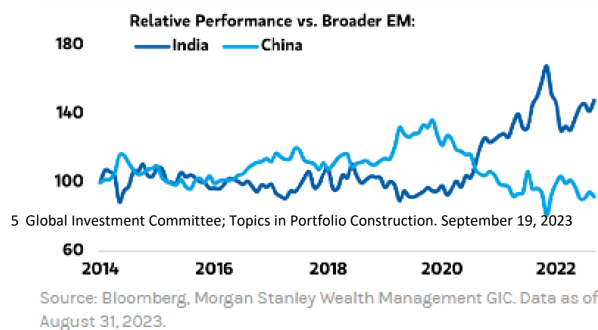
International & EM

While Growth has outperformed Value in the US, we have seen the opposite in international markets. Sectors and companies with large exposure to the Chinese consumer, such as luxury goods, began to deliver disappointing results. Instead, capital flows went into Japan. This has been driven by a weaker yen and policy measures. New proposed regulations introduced by the Tokyo Stock Exchange, the Financial Securities Agency and the Ministry of Economy Trade and Industry are designed to motivate companies to focus more on corporate governance, cost of capital and better corporate efficiency, with the hopes of raising share prices, and spur interest in the Japanese stock market. This move drove the sharpest price increases in cheap stocks

within the value cohort. Their prices were further boosted in June by Warren Buffett increasing his investment in five of Japan's largest trading companies. It is also worth noting that international stock indices did not have a "Magnificent Seven" cohort and are much less concentrated. We expect to see a broader participation of the growth cohort if we see a marginal improvement in the Chinese consumer's willingness to spend. Furthermore, European semiconductors powering demand for artificial intelligence applications did not see the same price appreciation as their US counterparts which leaves room for opportunities at more attractive valuations. In a similar fashion, ex-US e-commerce stocks did not participate to the extent of their US counterparts. When it comes to international equities, we continue to favor active management to find select opportunities regardless of our more muted macro view on international markets as a whole. Lastly, if rates do fall in 2024 and the dollar follows, we see exciting opportunities in international growth at cheaper valuations.

Within Emerging Markets, many investors overestimated the ability and willingness of China's policymakers to step in and help stimulate its economy. The struggle for the Chinese consumer is notable considering the vast majority of people with their wealth tied to the property sector. At the sector level, we see the prospect of an earnings recovery in semiconductors. China has continued to invest in semiconductor manufacturing given its desire to increase its self-reliance and compete with the US.

Other EM countries such as India have benefitted from companies moving their supply chains in order to decrease their dependance on China. Recent softness in Chinese equities has boosted India in relative terms, reversing the pattern from 2016 to 2020.[5]



Source: Bloomberg, Morgan Stanley Wealth Management GIC. Data as of August 31, 2023.

5 Global Investment Committee; Topics in Portfolio Construction. September 19, 2023

Elsewhere, Taiwan and Korea have benefited from their concentration in Technology Hardware & Equipment and Semiconductor names. Overall, EM may become a stock picker's market once again, but currency impacts and geopolitical impacts have made investing there increasingly more difficult. It remains to be seen whether a sustained mean reversion comes into fruition. We believe that both rates and the dollar will likely need to see a more sustained downward trend to see a broader based EM rally.

Fixed Income & Rates

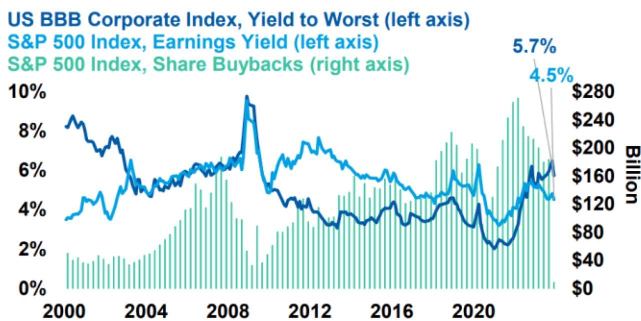
While the Fed may keep rates steady until the second half of 2024, our expectation for a soft landing still supports our favorable view on high quality fixed income. So far, money market funds, short-term U.S. Treasury securities, and certificates of deposit (CDs) have been attractive places to park cash while the Fed hiked rates. However, we believe we have seen the end of the Fed's hiking cycle and expect better returns from a broader set of fixed income asset classes going forward. For 2024, we expect modest growth, low issuance, healthy balance sheets, and steady or modestly easing monetary policy. This enviroment bodes well for investment grade credit. We think that many issuers are likely to delay issuance at current rates which should keep supply light. While yields remain attractive, we still advocate for active management as spreads relative to other high-quality fixed income sectors such as mortgage backed and asset-backed debt are expensive. Furthermore, the record amounts of cash in money market funds may look to extend duration if confidence grows that central bank rate hikes are finished. Nevertheless, we would advise against loading up on long duration bonds. Any signaling that the Fed is likely to delay rate cuts or deliver fewer than what is presumed could impact bond prices. Lastly, central bank balance sheets, which have been shrinking for more than a year, remain larger than before the pandemic. Our economists forecast continued declines in the balance sheets of the Federal Reserve, European Central Bank, Bank of England and Bank of Japan. That means central banks will be selling, adding to the supply of bonds, which would prevent any drastic fall in rates. As for municipal bonds, we believe the recovery many have been waiting for will finally arrive in 2024. The weak returns in bonds for the last

two years provide a more attractive setup heading into the new year. We expect both supply and demand to improve while the uncertainty around income taxes is likely to continue.

Alternatives

Fund managers have relied more on strategic buyers as a means of exiting positions in portfolio companies while M&A (mergers and acquisitions) activity as well as IPO activity (initial public offerings) remained muted in 2023. Middle market companies benefitted from this theme as their lower leverage made them easier to integrate. More managers have cited opportunities in corporate carve outs and divestitures as businesses began to focus more on their core competencies and sell non-core assets to raise cash in a tougher macro environment. Fundraising became difficult for many managers, opening the door to more co-investment opportunities. Managers with dry powder and experience across sectors have been well positioned as others relied on them for extra capital in order to close deals. Tighter lending conditions have forced buyers to use less debt to make financing deals more feasible. In the current environment, growth equity deals have become more prevalent given that they are typically all-equity deals. Going forward, we see more opportunities in private equity and secondaries as the cost of public equity is much lower than the cost of both public and private debt. This is likely to force more volume in both the IPO and M&A markets.

Balance Sheet Restructuring Is Coming… Equity Is Cheaper Than Debt



Source: Morgan Stanley & Co. Research, Bloomberg as of December 8, 2023

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Secondaries have performed well in 2023 and we expect that to continue. As limited partners have seen a pickup in capital calls, they have put more pressure on general partners to return cash to them more quickly. These GPs have sold assets in the secondary markets at discounts in order to do so, providing an attractive backdrop.

Direct lending funds continued to benefit from higher rates and taking market share away from traditional banks, which are lending less. While private equity deal activity, which is the primary engine for private credit origination, remains relatively muted, the shift away from the syndicated market to private direct lending continues to play a role. In comparison to the syndicated loan market, the private credit market benefits from improved covenant protection and larger equity buffers which can contribute to greater alignment between private equity sponsors and private lenders during restructurings. As the direct lending space has grown, we look for larger managers with scale, experience across various credit cycles, and competitive advantages in deal sourcing.

Higher capitalization and discount rates have been headwinds for both private and public real estate funds this year. We remind investors that not all real estate is created equal. Opportunities may exist with managers exposed to growing areas such as data centers, student housing and industrials. Supply remains constrained as higher labor and construction costs in addition to more difficult financing have been headwinds. We remain optimistic as experienced managers have been able to raise rents successfully once leases have expired. Any potential decline in cap rates can potentially provide a more favorable valuation backdrop.

We also see opportunities in infrastructure focused on essential assets with stable income that have historically been less correlated to macroeconomic conditions.

As uncertainty is on the rise, we remind eligible investors that such tools are available to help mitigate risk and diversify portfolios.

To Sum Up

Inflation, while on the right track, will have a slow and uneven journey down. While we believe there may not be many more hikes ahead of us, we do believe the Fed will be cautious enough to prevent any premature rate cuts that the market might expect. Factors that we will be watching include fading fiscal stimulus, impacts from rising geopolitical tension,

and increased volatility around the 2024 election. We would like to thank you all for your continued trust in us and wish you and your families a wonderful Holiday and a Happy New Year!

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Past performance is no guarantee of future results. Actual results may vary. Diversification does not assure a profit or protect against loss in a declining market.

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They may be highly illiquid with significant lock-up periods and no secondary market, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums.

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International investing may not be appropriate for every investor and is subject to additional risks, including currency fluctuations, political factors, withholding, lack of liquidity, the absence of adequate financial information, and exchange control restrictions impacting foreign issuers. These risks may be magnified in emerging markets.

Duration, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. Generally, if interest rates rise, bond prices fall and vice versa. Longer-term bonds carry a longer or higher duration than shorter-term bonds; as such, they would be affected by changing interest rates for a greater period of time if interest rates were to increase. Consequently, the price of a long-term bond would drop significantly as compared to the price of a short-term bond.

This material contains forward looking statements and there can be no guarantees they will come to pass. The information and statistical data contained herein have been obtained from sources believed to be reliable but in no way are guaranteed by Morgan Stanley as to accuracy or completeness. There is no guarantee that the investments mentioned will be in each client's portfolio.

Technical analysis is the study of past price and volume trends of a security in an attempt to predict the security's future price and volume trends. Its limitations include but are not limited to: the lack of fundamental analysis of a security's financial condition, lack of analysis of macroeconomic trend forecasts, the bias of the technician's view and the possibility that past participants were not entirely rational in their past purchases or sales of the security being analyzed. Investors using technical analysis should consider these limitations prior to making an investment decision.

Equity securities may fluctuate in response to news on companies, industries, market conditions and the general economic environment. Companies cannot assure or guarantee a certain rate of return or dividend yield; they can increase, decrease or totally eliminate their dividends without notice.

Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be riskier than an investment in a company with more modest growth expectations.

Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

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Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustration purposes only and do not show the performance of any specific investment. Reference to an index does not imply that the portfolio will achieve return, volatility or other results similar to the index. The composition of an index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility, or tracking error target, all of which are subject to change over time.

For index, indicator and survey definitions referenced in this report please visit the following: https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions

Interest on municipal bonds is generally exempt from federal income tax. However, some bonds may be subject to the alternative minimum tax (AMT). Typically, state tax-exemption applies if securities are issued within one's state of residence and, local tax-exemption typically applies if securities are issued within one's city of residence. The tax-exempt status of municipal securities may be changed by legislative process, which could affect their value and marketability.

Bonds are affected by a number of risks, including fluctuations in interest rates, credit risk and prepayment risk. In general, as prevailing interest rates rise, fixed income securities prices will fall. Bonds face credit risk if a decline in an issuer's credit rating, or creditworthiness, causes a bond's price to decline. Finally, bonds can be

subject to prepayment risk. When interest rates fall, an issuer may choose to borrow money at a lower interest rate, while paying off its previously issued bonds. As a consequence, underlying bonds will lose the interest payments from the investment and will be forced to reinvest in a market where prevailing interest rates are lower than when the initial investment was made. NOTE: High yield bonds are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues.

Real estate investments are subject to special risks, including interest rate and property value fluctuations, as well as risks related to general and economic conditions.

Risks of private real estate include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage.

Investors should carefully consider the investment objectives and risks as well as charges and expenses of a mutual fund before investing. To obtain a prospectus, contact your Financial Advisor or visit the fund company's website. The prospectus contains this and other important information about the mutual fund. Read the prospectus carefully before investing.

Treasury and Government Money Market: You could lose money by investing in the Fund. Although the Fund seeks to preserve your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund’s sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

You could lose money by investing in a Money Market Fund. Because the share price of the Fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. The Fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the Fund’s liquidity falls below required minimums because of market conditions or other factors. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund’s sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

Asset Allocation, Diversification and Rebalancing do not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy. Investors should consult with their tax advisor before implementing such a strategy.

CDs are insured by the FDIC, an independent agency of the U.S. Government, up to a maximum of $250,000 (including principal and accrued interest) for all deposits held in the same insurable capacity (e.g. individual account, joint account, IRA etc.) per CD depository. Investors are responsible for monitoring the total amount held with each CD depository. All deposits at a single depository held in the same insurable capacity will be aggregated for the purposes of the applicable FDIC insurance limit, including deposits (such as bank accounts) maintained directly with the depository and CDs of the depository. For more information visit the FDIC website at www.fdic.gov.

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