

# Morgan Stanley

## The Caruso-Colonna Group at Morgan Stanley December 2025 Newsletter

### **Our Mission: To Gain and Maintain Financial Freedom**

**“Gratitude is riches. Complaint is poverty.” Doris Day**

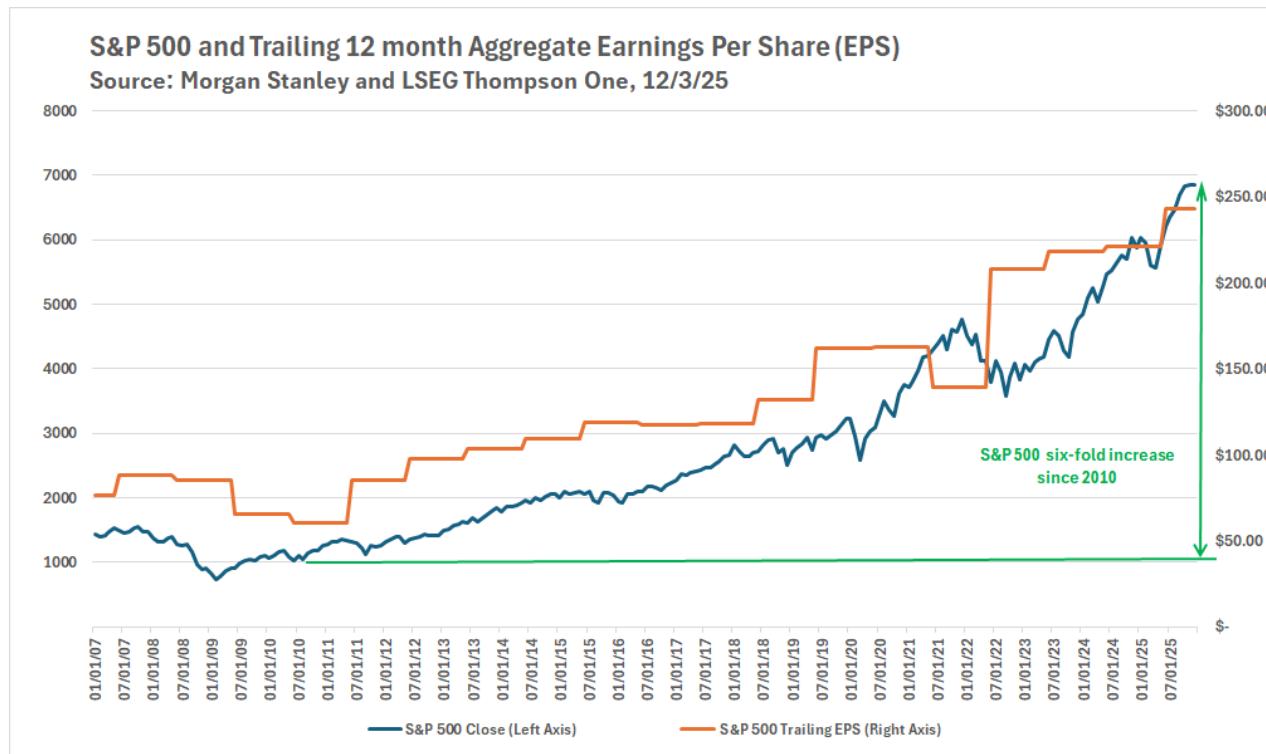
### **Markets and The Economy:**

**Keith A. Colonna Sr., CFP®**

Senior Vice President, Senior Portfolio Management Director, Financial Advisor

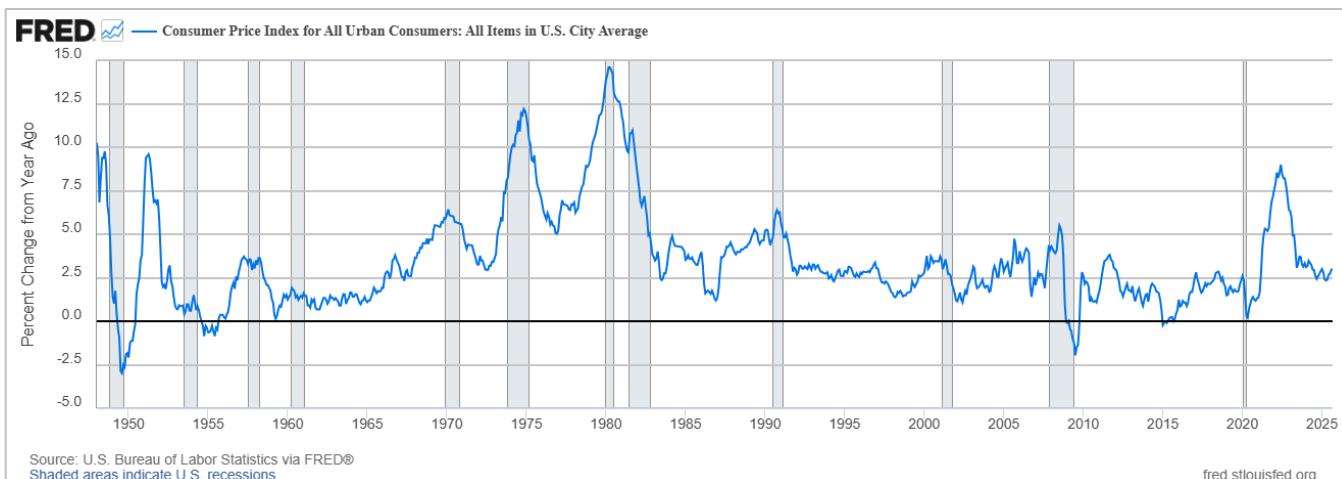
We are not sure how much more to say about markets this year. Major indices rose again last month as shown in the capital market indices attached at the end. As we approach year-end, something made us think back fifteen years to 2010. This is when the recovery from the 2007-2009 recession and bear market found its footing. The graph below shows the growth of the market-cap weighted S&P 500 index since 2010. Through three different presidents and myriad historical events, corporate profits tripled, and the S&P 500 rose six-fold.

Not only has 2025 been a good year for investors, the past one and a half decades have also been very good for markets too. They have moved well beyond the 2020 COVID and 2022 interest rate hike corrections. What about the rest of the economy?



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The CPI-U graph below (1) shows that inflation has dropped significantly from its recent peak to the 2.5% range, on par with the average of the past thirty years. This does not mean that prices are not still rising, but they are increasing more slowly than they were a couple years ago.

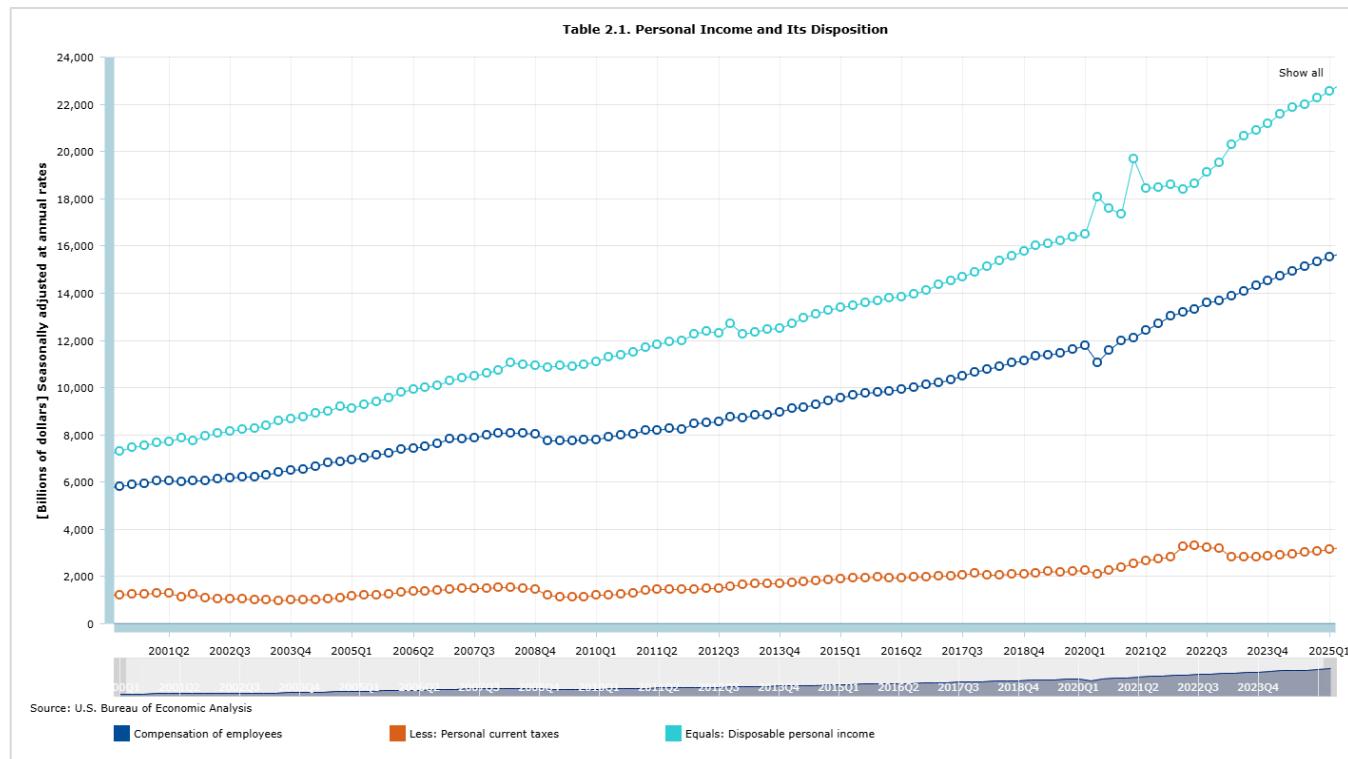
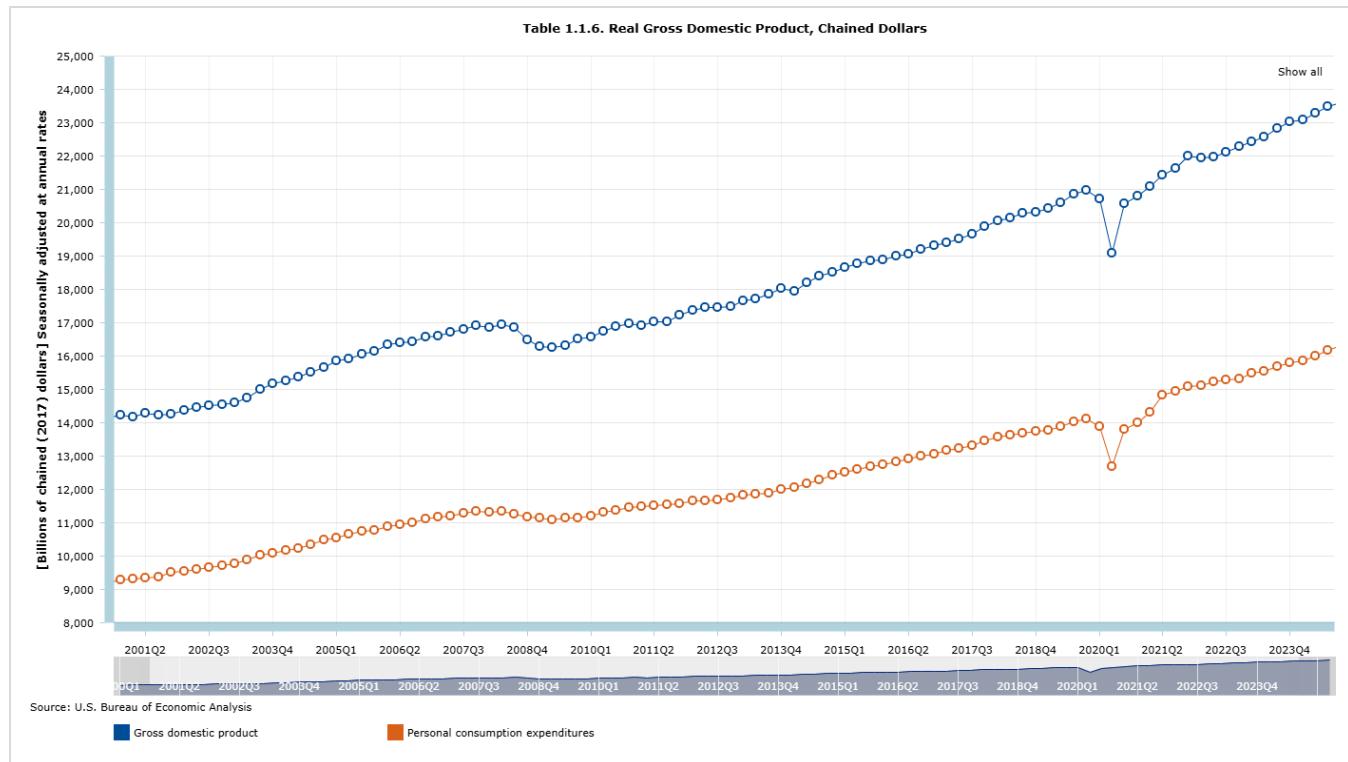


Unemployment rates continue to be near record lows as shown in the second graph below. (2) Job openings (3) are still substantial as shown on this page's final graph. By these measures, people are working and job opportunities, at least on paper, appear available.



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The graphs below (4) show real (inflation adjusted) US gross domestic product, personal consumption expenditures, compensation, and net disposable income. The US economy continues to expand. The lower graph shows that compensation and disposal personal incomes continue to rise. The burden of personal taxes has risen more slowly than compensation.



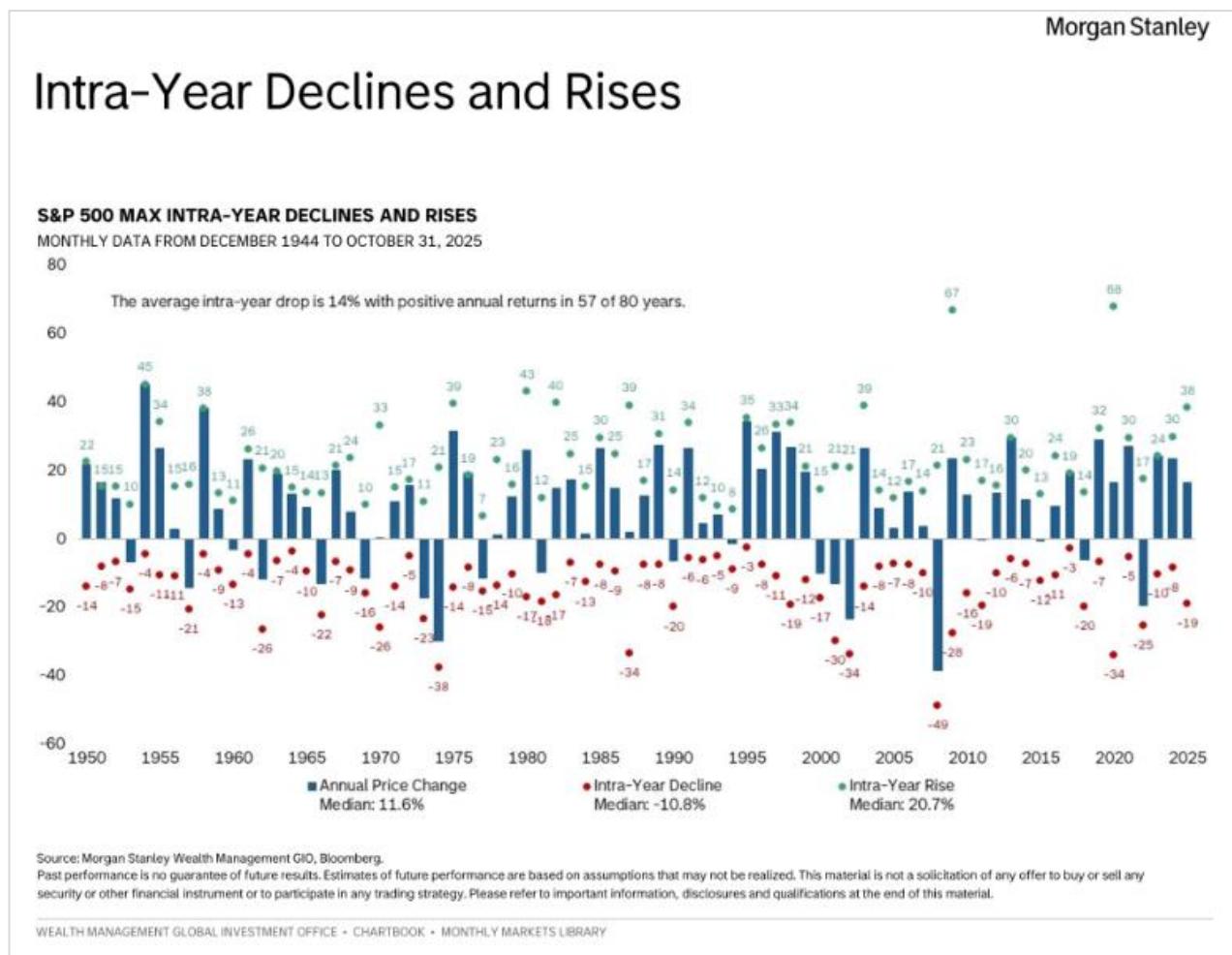
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Well, what about what is happening now? Today? People tell us that 'things' are bad, it is a refrain we hear all too often. Despite this refrain though, it does not appear to be dissuading holiday shoppers this season.

We have been tracking holiday spending trends. If consumers are fearful and strapped, it is not showing up in sales data. The early data we are seeing points to robust holiday sales gains. The National Retail Federation reported last week that a record 203 million consumers shopped during the five-day holiday weekend. That is an increase of six million shoppers over 2024. (5)

But stock markets are volatile! We are trying to remember a time when they were not volatile.

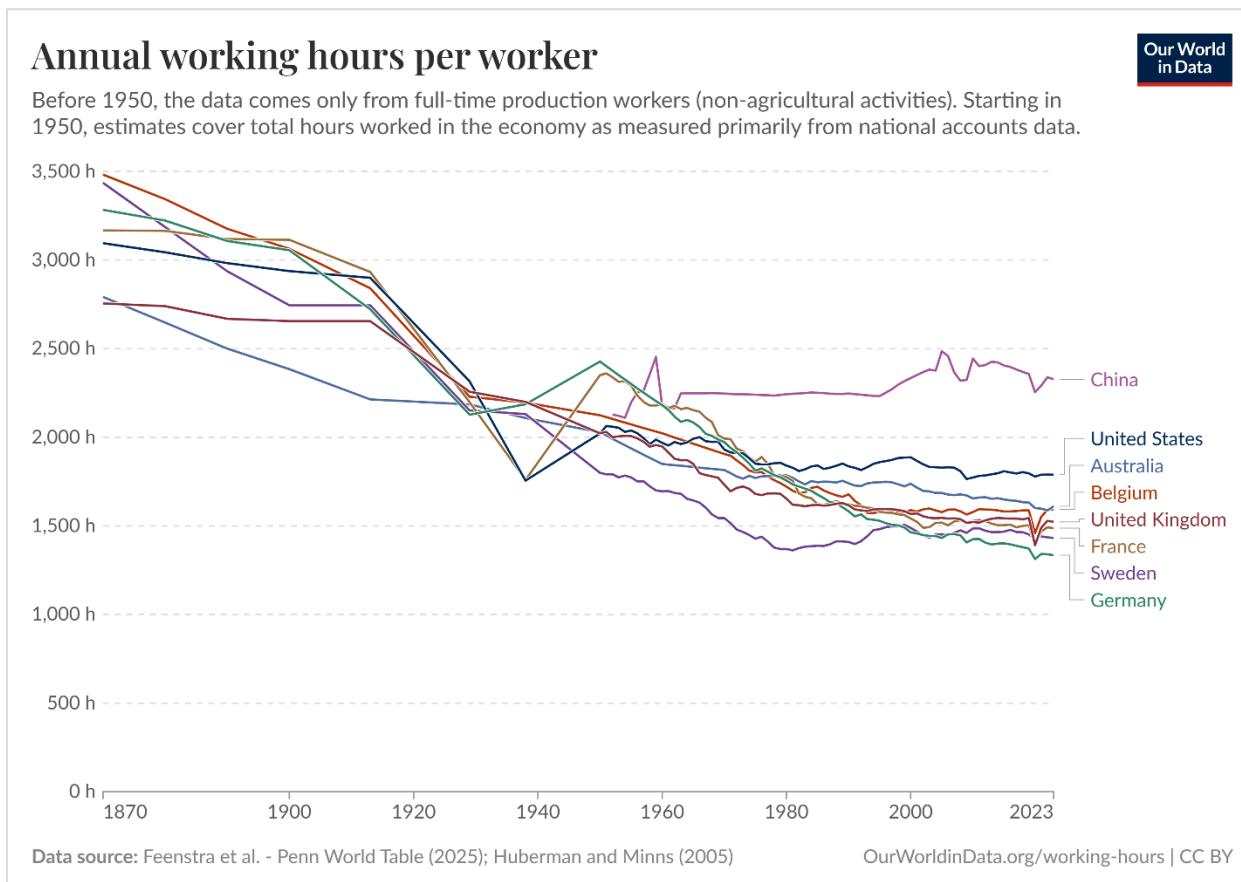
The graph below shows intra-year declines and increases in the S&P 500 index. (6) For the past half century, markets have been 'volatile' every year. The median intra-year decline is -11%. Most years, markets rise, despite volatility within the year. Short term market fluctuations are not the same as long term market advances.



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Is the economy perfect? No, of course not. We hear the stories of people sending out resumes and encountering difficulty finding good jobs. On the other hand, I still vividly remember my friends and I wallpapering our college dorm rooms our senior year with job application rejection letters. This was back when rejection letters still were sent on paper via the US Post. We cannot remember any time over our adult lives when finding a good new job was effortless.

We live with abundance – be grateful for that. Our ancestors labored with far more hours of work annually to live less abundant lives. In the 1960's, 2000-hour work years were common. Today that number is down to about 1500 hours for most western economies. For less work we drive nicer cars and live in nicer homes than our parents and grandparents.



As this year draws to a close, we Americans have much for which to be grateful. If you are waiting for perfection in life, we suggest it may be a long wait. Be content instead and be grateful for the abundance that most of us enjoy.

**To all our friends and family, we wish you a very Merry Christmas, a Happy Hanukkah, and health and prosperity in the New Year. Thank you for your continued confidence.**

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- (1) U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CPIAUCSL>, December 4, 2025.
- (2) U.S. Bureau of Labor Statistics, Unemployment Rate [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/UNRATE>, December 9, 2025.
- (3) U.S. Bureau of Labor Statistics, Job Openings: Total Nonfarm [JTSJOL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/JTSJOL>, December 9, 2025.
- (4) U.S. Bureau of Economic Analysis, "Table 2.1. Personal Income and Its Disposition" and "Real Gross Domestic Product" (accessed Tuesday, December 9, 2025).
- (5) Thanksgiving Holiday Weekend Draws a Record 203 Million Shoppers, The National Retail Federation Press Release, 12/2/25
- (6) Morgan Stanley ChartBooks
- (7) AUM data as of 12/10/2025



The Caruso-Colonna Group provides financial planning and investment management advice to meet the needs of successful individuals, families, businesses, and institutions. We are a family team with more than fifty combined years of professional experience. All Group Financial Advisors are CERTIFIED FINANCIAL PLANNER® Professionals. Our Group manages more than \$803 million in client assets. (7)

Left to Right: Keith Colonna Jr, Sandra Caruso,  
Keith Colonna Sr, Sarah DePaoli

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# Capital Market Indices

Monday, December 1, 2025

US Equities	Nov-28	1D	WTD	MTD	QTD	YTD	1Y	US Size-Style	Nov-28	1D	WTD	MTD	QTD	YTD	1Y	USD SOFR Rates	Nov-28	3M Ago	1Y Ago
S&P 500	6,849.09	0.5%	3.7%	0.2%	2.6%	17.8%	15.0%	Russell 3000	3,888.11	0.6%	3.9%	0.3%	2.4%	17.2%	13.6%	One-Month	3.86%	4.28%	4.53%
Dow Jones Industrial Avg.	47,716.42	0.6%	3.2%	0.5%	3.1%	13.9%	8.0%	Russell 3000 Growth	3,736.49	0.5%	4.4%	-1.7%	1.7%	18.8%	19.3%	Three-Month	3.79%	4.17%	4.47%
NASDAQ Composite	23,365.69	0.7%	4.9%	-1.4%	3.2%	21.7%	22.4%	Russell 3000 Value	2,694.75	0.7%	3.4%	2.7%	3.1%	14.9%	7.0%	Six-Month	3.70%	4.02%	4.38%
NYSE Composite	21,824.67	0.5%	3.1%	1.9%	1.5%	16.6%	10.1%	S&P 500	6,849.09	0.5%	3.7%	0.2%	2.6%	17.8%	15.0%	One-Year	3.51%	3.76%	4.25%
AMEX Composite	7,469.97	0.9%	4.6%	7.9%	7.1%	62.6%	46.0%	S&P 500 Equal Weight	7,744.73	0.5%	3.1%	1.9%	0.9%	10.9%	3.9%	US Bank Rates	Nov-28	3M Ago	1Y Ago
<b>Americas Equities (USD)</b>	<b>Nov-28</b>	<b>1D</b>	<b>WTD</b>	<b>MTD</b>	<b>QTD</b>	<b>YTD</b>	<b>1Y</b>	S&P 500 Growth	4,982.87	0.4%	4.4%	-0.9%	2.4%	22.4%	23.4%	Federal Funds	3.88%	4.31%	4.56%
Canada S&P	22,456.37	1.2%	5.0%	4.2%	4.5%	33.8%	25.9%	S&P 500 Value	2,089.47	0.7%	3.0%	1.7%	2.8%	12.8%	5.1%	Discount Rate	4.00%	4.50%	4.75%
Mexico IPC	3,475.29	0.9%	3.9%	3.3%	1.9%	51.4%	47.0%	Russell 1000	3,736.93	0.6%	3.8%	0.2%	2.4%	17.3%	14.1%	Prime Rate	7.00%	7.50%	7.75%
Brazil Bovespa	29,803.86	0.4%	4.0%	7.3%	8.4%	53.1%	43.2%	Russell 1000 Growth	4,796.57	0.4%	4.2%	-1.8%	1.8%	19.3%	20.3%	<b>Volatility</b>	<b>Nov-28</b>	<b>1D Chg.</b>	<b>4W Ago</b>
<b>Europe Equities (USD)</b>	<b>Nov-28</b>	<b>1D</b>	<b>WTD</b>	<b>MTD</b>	<b>QTD</b>	<b>YTD</b>	<b>1Y</b>	Russell 1000 Value	2,061.51	0.7%	3.4%	2.7%	3.1%	15.1%	7.2%	CBOE Volatility (VIX)	16.35	-0.86	16.42
UK FTSE 100	12,867.04	0.4%	3.0%	1.2%	2.8%	30.0%	26.3%	Russell Midcap	3,862.34	0.6%	3.7%	1.3%	0.4%	10.9%	3.1%	Treasury Bond Volatility	68.95	-4.10	67.30
Eurozone STOXX 50	6,576.78	0.3%	3.8%	1.0%	1.5%	33.9%	33.7%	Russell Midcap Growth	2,241.14	0.8%	4.0%	-2.1%	-2.4%	10.1%	3.3%	FX Volatility	6.85	-1.86	6.83
France CAC 40	9,424.78	0.4%	2.6%	0.7%	1.7%	27.4%	27.5%	Russell Midcap Value	3,248.51	0.5%	3.7%	2.4%	1.4%	11.0%	2.9%	<b>FX Rates</b>	<b>Nov-28</b>	<b>1D Chg.</b>	<b>4W Ago</b>
Germany DAX	27,657.83	0.6%	4.1%	0.2%	-1.5%	33.7%	33.3%	Russell 2000	2,500.43	0.6%	5.5%	1.0%	2.8%	13.5%	4.1%	US Dollar Spot Rate (DXY)	99.46	-0.08	-0.1%
Spain IBEX 35	18,995.97	0.2%	4.4%	3.3%	5.2%	64.4%	60.7%	Russell 2000 Growth	1,674.16	0.8%	6.3%	-0.7%	2.5%	14.5%	5.1%	Euro (EUR/USD)	1.1598	0.00	0.0%
<b>Asia Equities (USD)</b>	<b>Nov-28</b>	<b>1D</b>	<b>WTD</b>	<b>MTD</b>	<b>QTD</b>	<b>YTD</b>	<b>1Y</b>	Russell 2000 Value	2,719.82	0.4%	4.7%	2.8%	3.1%	12.4%	3.0%	British Pound (GBP/USD)	1.3235	-0.00	-0.0%
Japan Nikkei 225	321.71	1.5%	3.6%	-5.4%	5.8%	29.1%	28.4%	<b>S&amp;P 500 Sectors</b>	<b>Nov-28</b>	<b>1D</b>	<b>WTD</b>	<b>MTD</b>	<b>QTD</b>	<b>YTD</b>	<b>1Y</b>	Swiss Franc (USD/CHF)	0.8040	-0.00	0.1%
Hang Seng Hong Kong	3,321.33	-0.4%	2.5%	-0.3%	-3.6%	33.0%	37.6%	Communication Services	457.25	0.7%	5.9%	6.4%	8.3%	34.9%	39.7%	Japanese Yen (USD/JPY)	156.18	-0.13	0.1%
China Shenzhen Comp.	346.80	0.8%	4.0%	-1.6%	-1.8%	31.3%	26.5%	Consumer Discretionary	1,915.26	0.9%	5.3%	-2.4%	-0.1%	5.2%	7.7%	Australian Dollar (AUD/USD)	0.6550	0.00	0.2%
<b>Alternatives</b>	<b>Nov-28</b>	<b>1D</b>	<b>WTD</b>	<b>MTD</b>	<b>QTD</b>	<b>YTD</b>	<b>1Y</b>	Consumer Staples	882.17	0.6%	1.7%	4.0%	1.6%	5.6%	0.3%	Canadian Dollar (USD/CAD)	1.3977	-0.01	0.4%
FTSE EPRA/NAREIT Global	1,746.54	0.3%	2.1%	1.5%	0.1%	5.8%	-2.5%	Energy	686.63	1.3%	1.0%	2.5%	1.3%	8.5%	-1.8%	New Zealand Doll. (NZD/USD)	0.5735	0.00	0.1%
Alerian Midstream Energy Select	747.07	1.4%	1.9%	5.5%	-1.5%	6.3%	0.1%	Financials	885.58	0.7%	3.2%	1.9%	-1.0%	11.5%	5.5%	Hong Kong Doll. (USD/HKD)	7.7852	0.01	-0.1%
HFRX Global Hedge Fund	1,579.62	0.1%	0.8%	0.0%	0.7%	6.4%	6.4%	Health Care	1,833.52	-0.5%	1.9%	9.3%	13.2%	16.2%	9.0%	Singapore Dollar (USD/SGD)	1.2967	-0.00	0.0%
HFRX Fund of Funds <sup>1</sup>	8,941.93	-	-	0.0%	1.4%	8.6%	10.6%	Industrials	1,298.52	0.6%	2.7%	-0.9%	-0.4%	17.8%	8.4%	Chinese Renminbi (USD/CNY)	7.0745	-0.01	0.1%
HFRX Macro/CTA Index	1,347.41	0.2%	1.3%	0.0%	1.4%	4.0%	4.4%	Information Technology	5,700.38	0.5%	4.3%	-4.3%	1.7%	24.4%	25.8%	Indian Rupee (USD/INR)	89.46	0.15	-0.2%
<b>Commodities</b>	<b>Nov-28</b>	<b>1D</b>	<b>WTD</b>	<b>MTD</b>	<b>QTD</b>	<b>YTD</b>	<b>1Y</b>	Materials	563.10	0.6%	3.4%	4.2%	-1.1%	8.1%	-3.5%	Mexican Peso (USD/MXN)	18.30	-0.06	0.3%
Bloomberg Commodity	110.41	1.7%	2.7%	2.9%	5.5%	11.8%	12.5%	Real Estate	262.34	0.4%	1.9%	2.0%	-0.7%	5.5%	-3.6%	Brazilian Real (USD/BRL)	5.3351	-0.02	0.4%
..Ex-Energy	133.45	1.4%	3.4%	3.2%	6.6%	19.0%	17.4%	Utilities	458.15	0.7%	2.9%	1.8%	3.9%	22.3%	12.6%				
..Ex-Precious Metals	126.74	1.4%	1.7%	1.3%	4.0%	4.5%	6.6%	<b>MSCI Indices (USD)</b>	<b>Nov-28</b>	<b>1D</b>	<b>WTD</b>	<b>MTD</b>	<b>QTD</b>	<b>YTD</b>	<b>1Y</b>				
CRB Index	533.83	0.8%	0.7%	-1.2%	-2.2%	-0.5%	-0.4%	All Country World	1,005.14	0.5%	3.6%	0.0%	2.3%	21.6%	18.8%				
Bloomberg Agriculture	56.69	0.4%	1.6%	1.4%	5.7%	-0.6%	0.2%	... ex-US	409.34	0.4%	3.2%	-0.0%	2.0%	29.3%	26.8%				
Bloomberg Energy	27.96	2.6%	0.8%	2.1%	2.5%	-5.2%	0.6%	World	4,398.44	0.6%	3.7%	0.3%	2.3%	20.6%	17.5%				
WTI Crude Oil Futures	58.55	-0.2%	0.8%	-4.0%	-6.1%	-18.4%	-13.9%	... ex-US	2,877.34	0.7%	3.5%	1.1%	2.2%	28.8%	25.4%				
Brent Crude Oil Futures	63.20	0.1%	1.0%	-2.9%	-5.7%	-15.3%	-13.4%	USA	6,539.01	0.6%	3.8%	0.0%	2.4%	17.7%	14.7%				
Gasoline Futures	1.90	0.4%	0.7%	-4.9%	-3.9%	-5.3%	-2.5%	EAFFE	2,810.47	0.6%	3.3%	0.6%	1.8%	28.2%	25.3%				
Natural Gas Futures	4.85	6.4%	5.9%	17.6%	46.8%	33.5%	44.2%	Pacific	3,651.03	0.7%	2.9%	-1.0%	1.1%	22.6%	20.0%				
Bloomberg Ind. Metals	154.04	0.7%	2.9%	0.2%	4.6%	9.8%	6.1%	Japan	13.26	0.7%	2.6%	-0.8%	2.6%	24.4%	23.3%				
Copper Futures	5.19	1.6%	3.4%	1.9%	6.8%	28.8%	27.1%	Pacific ex-Japan	1,528.61	0.5%	3.3%	-1.5%	-2.1%	18.9%	12.2%				
Bloomberg Prec. Metals	426.97	2.6%	5.8%	8.5%	11.9%	60.3%	56.2%	All Country Asia ex-Japan	890.54	-0.3%	2.6%	-2.8%	1.5%	29.5%	29.7%				
Gold Futures	4,218.30	1.3%	3.4%	5.5%	9.8%	59.7%	58.8%	Europe	223.48	0.5%	3.4%	1.6%	2.2%	31.2%	27.9%				
Silver Futures	56.45	6.7%	13.1%	17.2%	21.0%	93.0%	84.0%	.. ex-UK	264.43	0.5%	3.5%	1.7%	1.9%	31.5%	28.3%				
Palladium Futures	1,468.60	3.2%	5.9%	0.9%	14.1%	61.4%	48.3%	Emerging Markets	1,366.92	-0.3%	2.5%	-2.4%	1.7%	30.4%	30.3%				
Platinum Futures	1,685.00	6.2%	10.5%	7.0%	6.3%	88.5%	76.6%	Brazil	1,705.58	0.7%	4.9%	7.7%	8.4%	52.3%	39.9%				
Bloomberg Softs	66.53	0.4%	2.7%	2.6%	0.2%	3.4%	0.3%	China	10.82	-0.6%	2.3%	-2.5%	-6.2%	33.0%	36.6%				
								India	34.42	-0.2%	0.9%	1.0%	5.5%	4.9%	2.0%				
								Mexico	7,241.47	0.8%	3.8%	2.9%	2.1%	51.7%	47.4%				
								Frontier Markets	720.20	0.6%	2.2%	1.0%	1.7%	40.6%	40.8%				

Source: Morgan Stanley Wealth Management GIO, Bloomberg, FactSet. <sup>1</sup>Data for HFRI Fund of Funds as of Oct. 31, 2025. YTD starts Dec. 31, 2024, and 1Y starts Nov. 29, 2024.

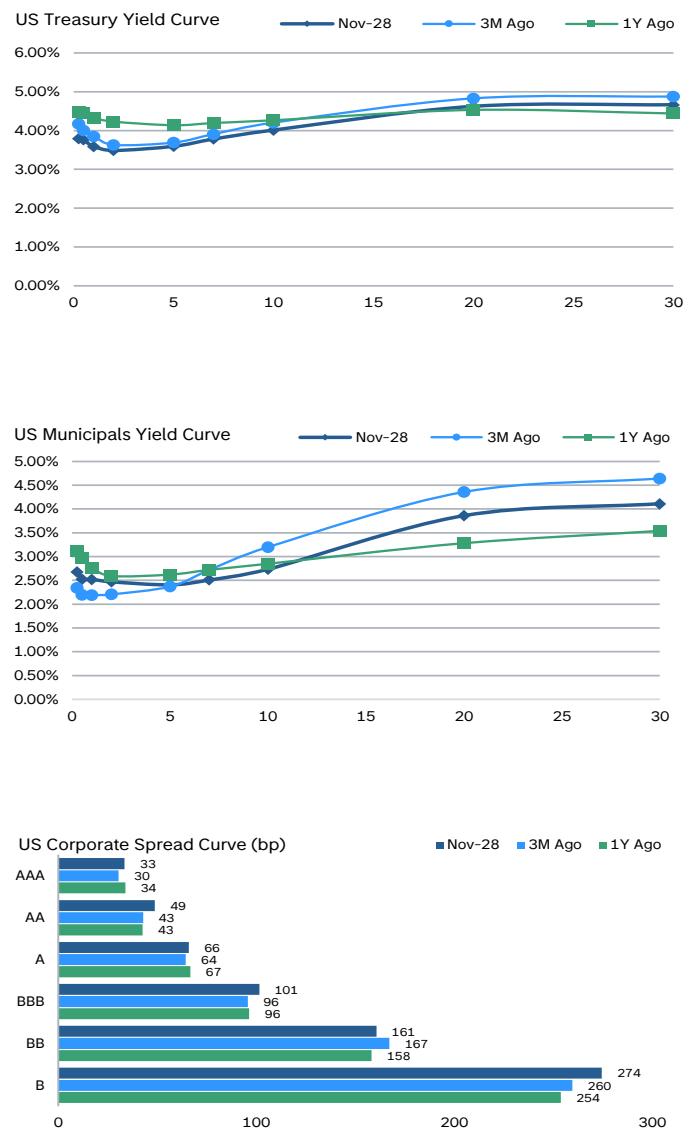
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# Capital Market Indices

Monday, December 1, 2025

Maturity	Treasuries						AAA General Obligation (GO) Municipal						
	Nov-28	1D	Dec-31	3M Ago	6M Ago	1Y Ago	Nov-28	% UST	1D	Dec-31	3M Ago	6M Ago	1Y Ago
Three-Month	3.80	-0.04	4.31	4.17	4.33	4.49	2.68	70%	0.00	3.32	2.34	2.94	3.12
Six-Month	3.76	-0.01	4.27	4.00	4.31	4.45	2.53	67%	0.00	3.18	2.20	2.79	2.97
One-Year	3.59	0.00	4.14	3.85	4.15	4.32	2.52	70%	0.00	2.97	2.19	2.79	2.77
Two-Year	3.49	0.01	4.24	3.63	3.99	4.23	2.47	71%	0.00	2.82	2.21	2.80	2.59
Five-Year	3.60	0.03	4.38	3.69	4.06	4.14	2.41	67%	0.00	2.90	2.37	2.90	2.62
Seven-Year	3.78	0.03	4.48	3.91	4.26	4.19	2.51	66%	0.00	3.00	2.72	3.04	2.72
10-Year	4.01	0.02	4.57	4.20	4.48	4.26	2.74	68%	0.00	3.13	3.20	3.32	2.85
20-Year	4.62	0.02	4.86	4.83	4.99	4.53	3.86	83%	0.00	3.64	4.36	4.21	3.28
30-Year	4.66	0.02	4.78	4.88	4.98	4.44	4.11	88%	0.00	3.87	4.64	4.55	3.54

Bloomberg Indices (USD)	Returns						Option-Adjusted Spreads (bp)					
	1D	WTD	MTD	QTD	YTD	1Y	Nov-28	1D	Dec-31	3M Ago	6M Ago	1Y Ago
Multiverse	0.0%	0.7%	0.3%	0.1%	8.1%	5.8%	—	—	—	—	—	—
Global Aggregate	0.0%	0.7%	0.2%	-0.0%	7.9%	5.6%	—	—	—	—	—	—
US Aggregate	-0.1%	0.4%	0.6%	1.2%	7.5%	5.7%	30	0	34	29	34	32
US Treasury	-0.1%	0.3%	0.6%	1.2%	6.7%	5.0%	—	—	—	—	—	—
..Short	0.0%	0.1%	0.3%	0.7%	3.9%	4.4%	—	—	—	—	—	—
..One- to Five-Year	-0.0%	0.1%	0.6%	0.9%	5.6%	5.5%	—	—	—	—	—	—
..Five- to 10-Year	-0.2%	0.3%	0.9%	1.6%	8.6%	6.7%	—	—	—	—	—	—
..10- to 20-Year	-0.4%	0.6%	0.6%	1.8%	8.2%	3.4%	—	—	—	—	—	—
..20+Year	-0.5%	0.8%	0.3%	1.7%	6.8%	0.4%	—	—	—	—	—	—
US Corporate	-0.1%	0.7%	0.7%	1.0%	8.0%	5.9%	80	-0	80	77	88	79
..One- to Five-Year	-0.0%	0.2%	0.6%	0.9%	6.5%	6.3%	61	-0	60	57	66	55
..Intermediate-Term	-0.0%	0.4%	0.7%	1.1%	7.7%	6.9%	73	-0	71	70	79	69
..Long-Term	-0.3%	1.3%	0.5%	0.9%	8.6%	3.9%	97	-1	98	92	107	98
..AAA	-0.2%	1.0%	0.8%	1.2%	7.5%	4.0%	33	-0	33	30	32	34
..AA	-0.2%	0.7%	0.7%	1.0%	7.3%	4.9%	49	-0	45	43	47	43
..A	-0.1%	0.7%	0.7%	1.2%	8.1%	5.9%	66	-0	68	64	74	67
..BBB	-0.1%	0.7%	0.6%	0.9%	8.0%	6.1%	101	-0	97	96	110	96
US Securitized	-0.1%	0.3%	0.6%	1.5%	8.3%	6.6%	32	1	45	37	44	43
..Mtge.-Backed Securities (MBS)	-0.1%	0.3%	0.6%	1.5%	8.4%	6.6%	29	1	43	34	41	41
..Commercial MBS	-0.0%	0.2%	0.8%	1.2%	7.6%	7.0%	82	0	87	84	94	92
..Asset-Backed Securities (ABS)	0.0%	0.2%	0.6%	0.9%	5.6%	5.6%	55	-0	44	50	60	45
US Municipal	0.1%	0.1%	0.2%	1.5%	4.2%	2.6%	—	—	—	—	—	—
..One- to Five-Year	0.1%	0.1%	0.2%	0.2%	4.0%	3.5%	—	—	—	—	—	—
..One- to 10-Year	0.1%	0.1%	0.2%	0.7%	4.8%	4.0%	—	—	—	—	—	—
..10+ Year	0.1%	0.2%	0.2%	2.2%	3.7%	1.6%	—	—	—	—	—	—
US TIPS	—	—	0.2%	0.5%	7.4%	5.7%	—	—	—	—	—	—
US High Yield Corporate	0.2%	0.8%	0.6%	0.7%	8.0%	7.5%	269	-10	287	268	312	266
..BB	0.2%	0.7%	0.7%	1.1%	8.6%	7.9%	161	-9	179	167	187	158
..B	0.2%	0.9%	0.7%	0.7%	7.5%	7.2%	274	-11	277	260	303	254
..CCC	0.3%	0.6%	-0.2%	-0.5%	7.6%	7.6%	625	-9	558	615	686	528
US High Yield Municipal	0.0%	0.1%	0.4%	1.4%	2.7%	1.0%	—	—	—	—	—	—
Global ex- USD Aggregate	0.2%	0.9%	-0.1%	-1.0%	8.2%	5.4%	—	—	—	—	—	—
EM Hard-Currency	0.1%	0.4%	0.3%	1.7%	11.6%	10.1%	—	—	—	—	—	—
EM Local-Currency	-0.0%	0.6%	0.1%	0.4%	8.0%	7.3%	—	—	—	—	—	—
Morningstar LSTA Leveraged Loan	0.0%	0.2%	0.3%	0.5%	5.2%	5.8%	—	—	—	—	—	—



Source: Morgan Stanley Wealth Management GIO, Bloomberg, FactSet. <sup>1</sup>Data for HFRI Fund of Funds as of Oct. 31, 2025. YTD starts Dec. 31, 2024, and 1Y starts Nov. 29, 2024.

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For index, indicator and survey definitions referenced in this report please visit the following:

<https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

**International investing** entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economies.

**Alternative investments** which may be referenced in this report, including private equity funds, real estate funds, hedge funds, managed futures funds, and funds of hedge funds, private equity, and managed futures funds, are speculative and entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds and risks associated with the operations, personnel and processes of the advisor.

**Investing in commodities** entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention.

**Physical precious metals** are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. If sold in a declining market, the price you receive may be less than your original investment. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be appropriate for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor. The Securities Investor Protection Corporation ("SIPC") provides certain protection for customers' cash and securities in the event of a brokerage firm's bankruptcy, other financial difficulties, or if customers' assets are missing. SIPC insurance does not apply to precious metals or other commodities.

**Bonds** are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

**Bonds rated below investment grade** may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.

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, if applicable, local tax-exemption applies if securities are issued within one's city of residence.

**Treasury Inflation Protection Securities' (TIPS)** coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation.

**Yields** are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision.

**Equity securities** may fluctuate in response to news on companies, industries, market conditions and general economic environment.

**Investing in smaller companies** involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

**Stocks of medium-sized companies** entail special risks, such as limited product lines, markets, and financial resources, and greater market volatility than securities of larger, more-established companies.

**Asset allocation and diversification** do not assure a profit or protect against loss in declining financial markets.

**REITs** investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions.

Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies. **Technology stocks** may be especially volatile. Risks applicable to companies in the **energy and natural resources sectors** include commodity pricing risk, supply and demand risk, depletion risk and exploration risk.

**Investing in foreign emerging markets** entails greater risks than those normally associated with domestic markets, such as political, currency, economic and market risks.

**Investing in foreign markets** entails greater risks than those normally associated with domestic markets, such as political, currency, economic and market risks. **Investing in currency** involves additional special risks such as credit, interest rate fluctuations, derivative investment risk, and domestic and foreign inflation rates, which can be volatile and may be less liquid than other securities and more sensitive to the effect of varied economic conditions. In addition, international investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economies.

**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.

**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 more risky than an investment in a company with more modest growth expectations.

**Asset-backed securities** generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.

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