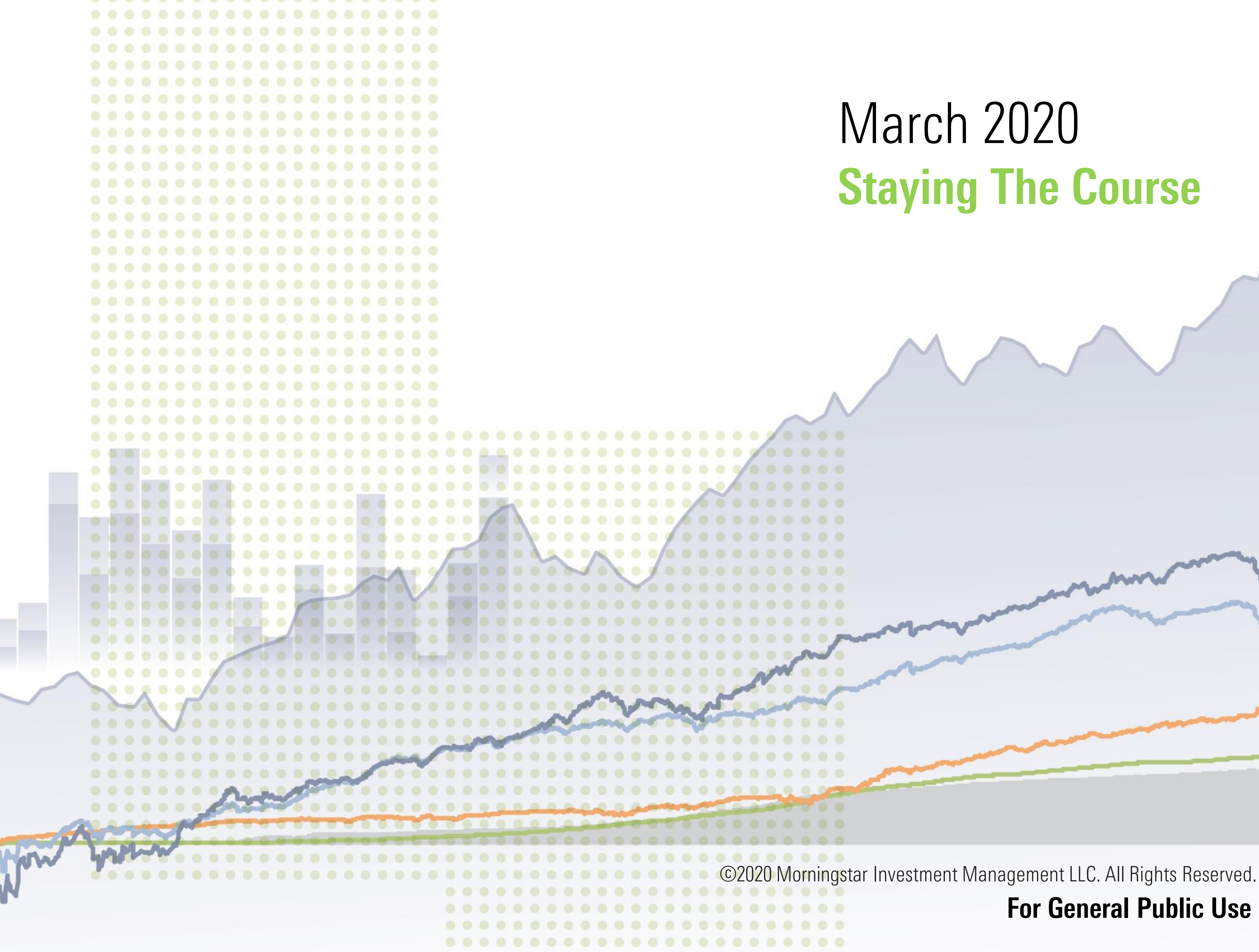


March 2020

Staying The Course

For General Public Use

Tune Out the Noise

There's a reason that investors tend to only hear about "looming" market doom or "imminent" market growth. While many news outlets have incentive to draw viewer attention with wildly bullish or bearish predictions, these sensationalized views may be a distraction to an investment approach. When tempted to make a radical change to your investment portfolio based on these headlines, it is important to recall some basic fundamentals to keep your plan on track.

Drown out the noise.
Market movements are notoriously difficult to predict. The media outlets that scream the loudest are not always the most accurate. The fallout from attempting to time the market in response to one of these predictions can be dangerous to your portfolio.

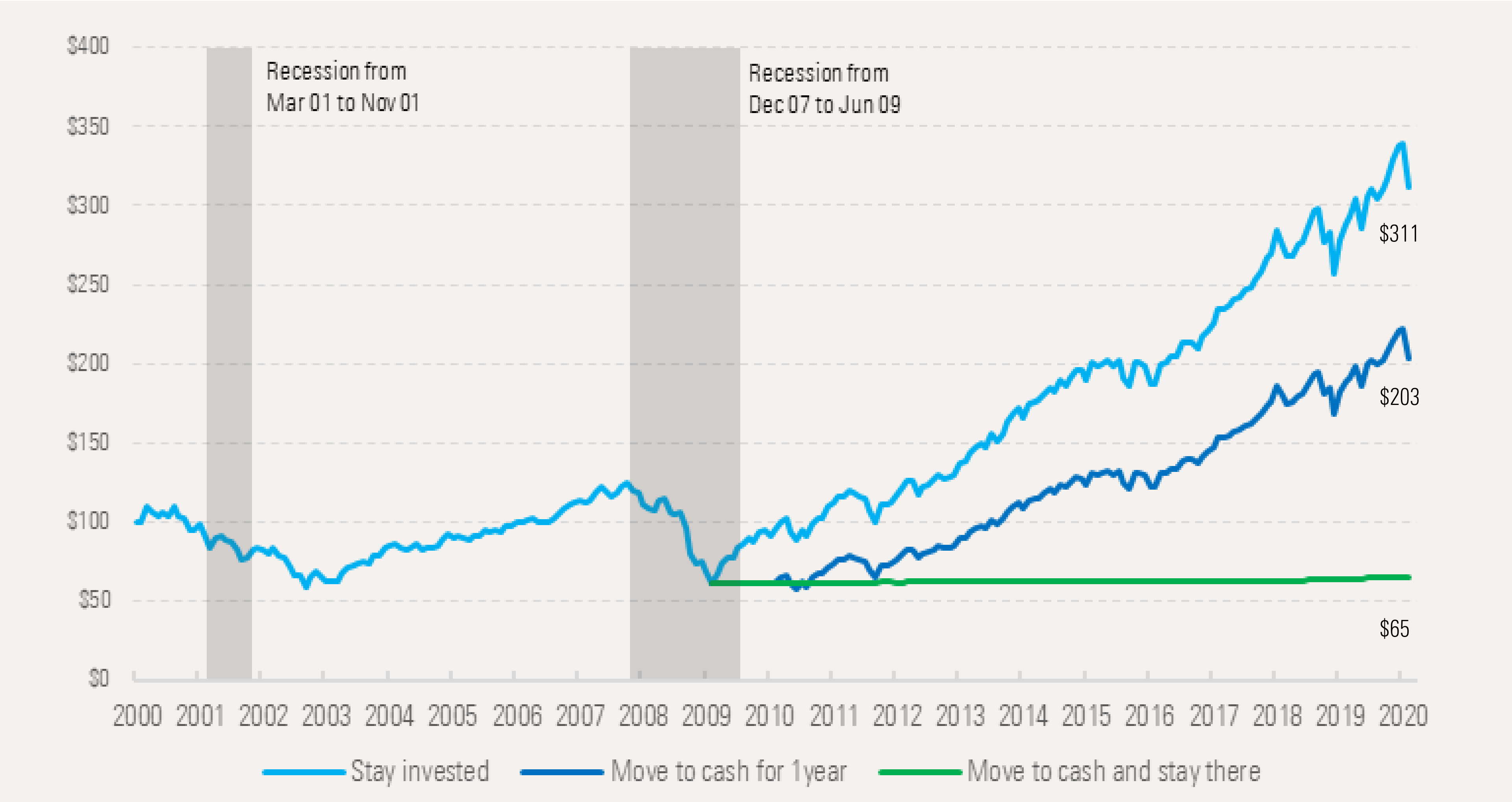
Look, but don't stare.
While it's important for investors to know the performance of their accounts, short-term market fluctuations can be quite volatile. While the probability of realizing a loss within any given day is high, the likelihood of realizing a loss historically has decreased over longer holding periods. Periodic review of an investment portfolio is necessary, but investors shouldn't let short-term swings affect their view of the future.

Stay focused on the long term.
Investors who have taken the time to determine an investment plan based on specific goals and risk tolerances are best advised to stick to that plan. While it may not always grab headlines, a sensible, tailored investment plan may be the best solution to help meet long-term goals.

Holding a portfolio of securities for the long term does not ensure a profitable outcome, and investing in securities always involves risk of loss.

The Importance of Staying Invested

Ending wealth values after a market decline—Jan 2000 to Feb 2020



Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

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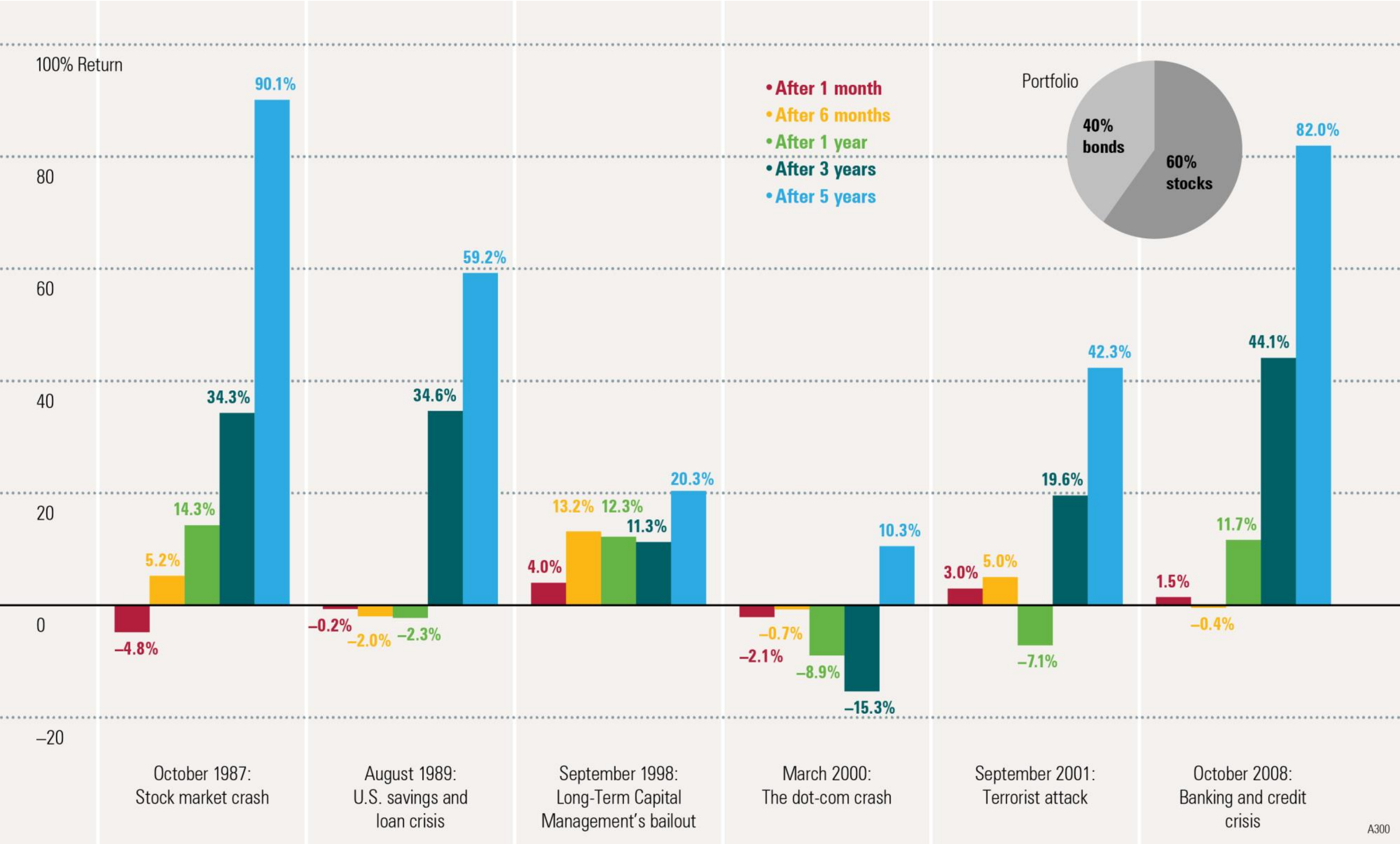
Market Recovery After Financial Crises

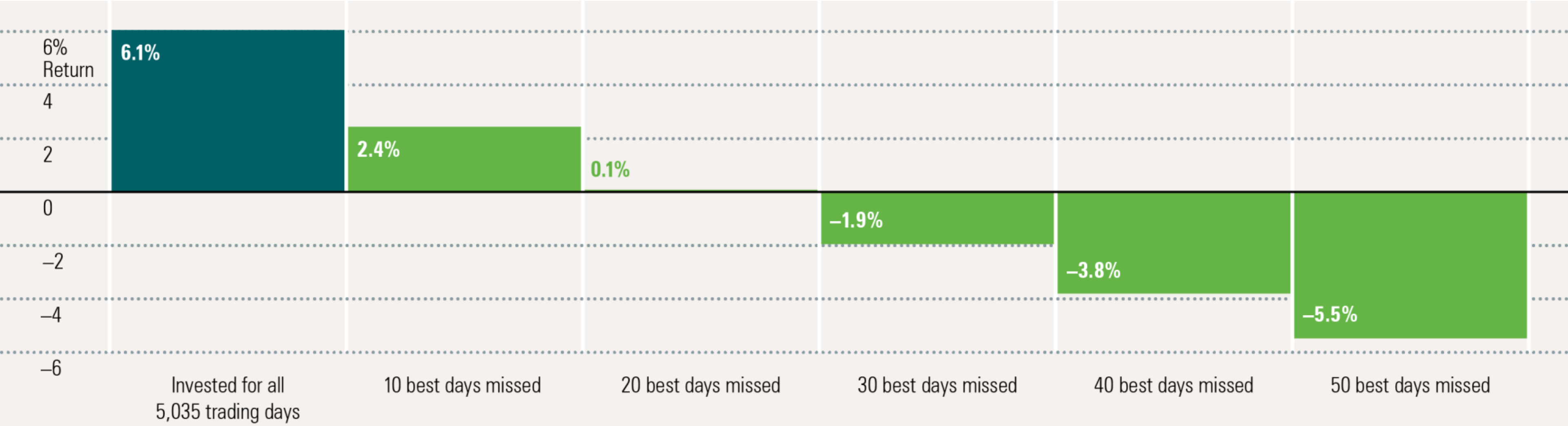
Cumulative return of balanced portfolio after various events

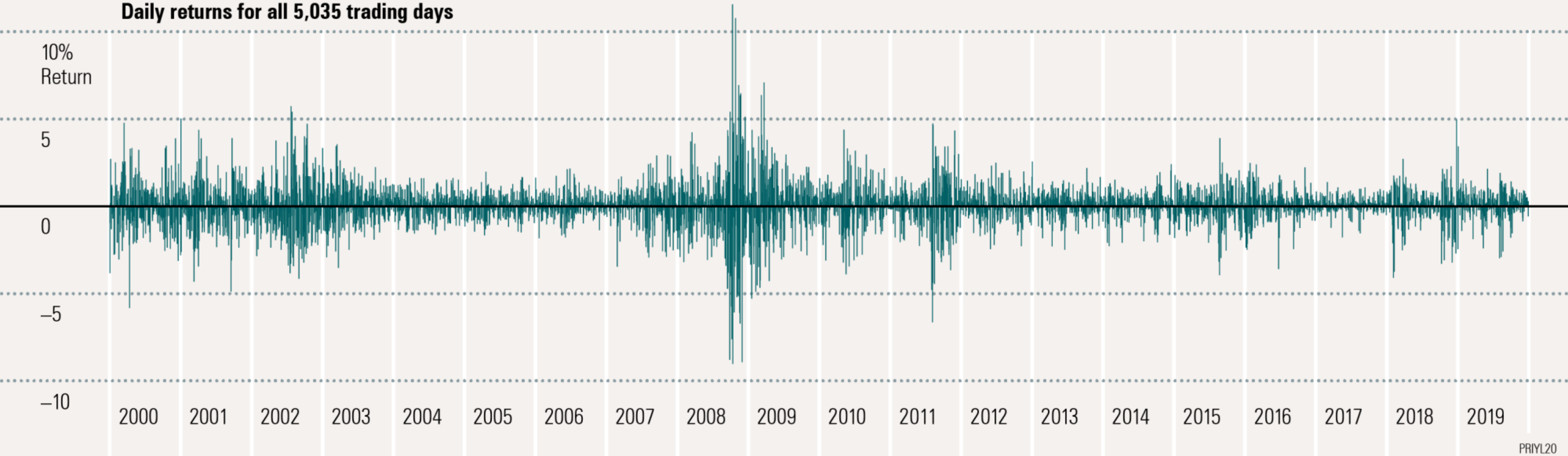


Past performance is no guarantee of future results. Returns reflect the percentage change in the index level from the end of the month in which the event occurred to one month, six months, one year, three years and five years after. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

The Cost of Market-Timing

The risk of missing the best days in the market, 1999–2019





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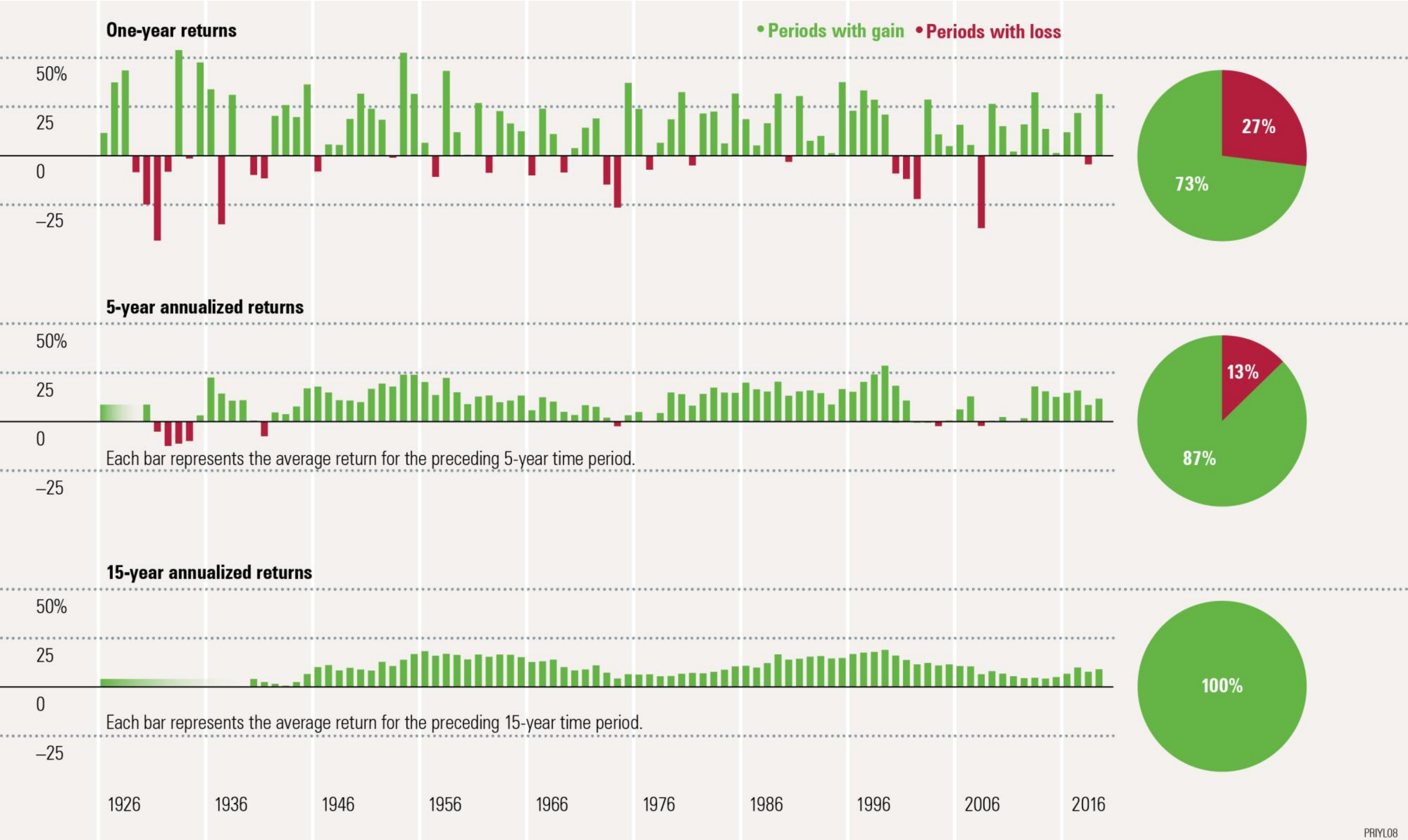
Risk of Stock Market Loss Over Time

1926–2019



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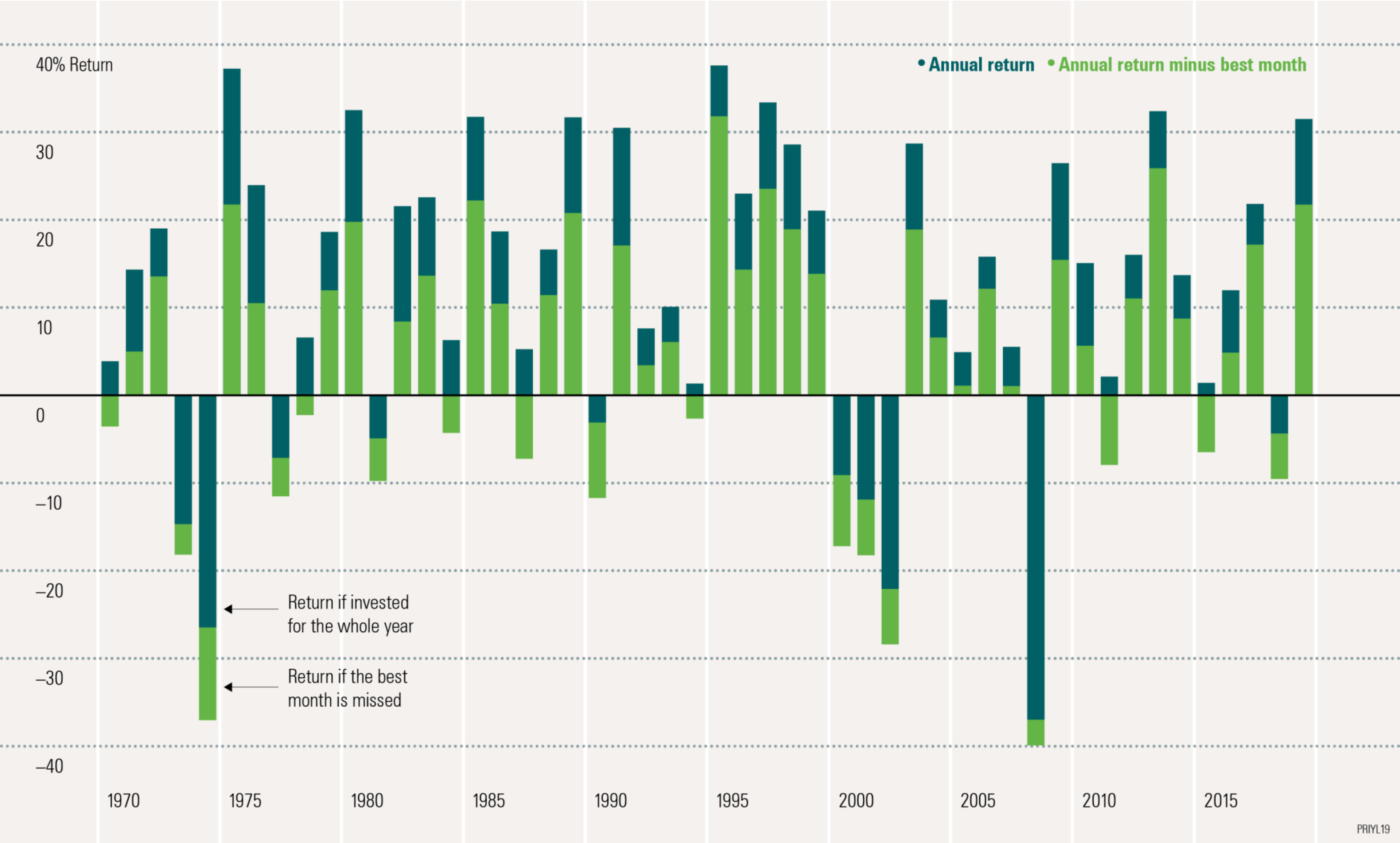
Market-Timing Risk

The effects of missing the best month of annual returns 1970–2019



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Benefits of Diversification

If you've ever heard the expression, "Don't put all your eggs in one basket," you might have a good sense of what diversification is.

To practice this in the context of investing means diversification—the strategy of holding more than one type of investment, such as stocks, bonds, or cash, in a portfolio to help reduce the risk. In addition, an investor can diversify among their stock holdings by buying a combination of large, small, or international stocks, and among their bond holdings by buying short-term and long-term bonds, government bonds, or high- and low-quality bonds.

A diversification strategy helps reduce risk because stocks, bonds, and cash generally do not react identically in changing economic or market conditions. This is especially true for assets whose underlying fundamentals—the source of their cash flows—differ from other assets in the portfolio.

Diversification does not eliminate the risk of experiencing investment losses; however, by investing in a mix of these investments, investors may be able to insulate their portfolios from major downswings in any one investment.

The benefits of diversification become more apparent over a shorter time period, such as the 2007–2009 banking and credit crisis. Investors who had portfolios composed only of stocks suffered large losses, while those who had bonds or cash in their portfolios experienced less severe fluctuations in value.

Global Winners and Losers: The Benefits of Diversification

2012– Feb 2020

	2012	2013	2014	2015	2016	2017	2018	2019	Year-to-date (End Feb 2020)	
U.S. Equity	16.1%	32.6%	13.4%	1.3%	11.6%	21.9%	-4.5%	31.6%	-8.0%	Highest Returns
Global Equity	16.1%	27.3%	5.0%	-0.7%	7.9%	22.5%	-9.3%	27.4%	-9.3%	
U.K. Equity	12.6%	20.4%	0.7%	0.4%	17.1%	13.2%	-9.3%	18.6%	-11.9%	
Emerging Market Equity	19.4%	-2.1%	-1.0%	-13.5%	11.0%	35.5%	-13.5%	18.1%	-9.9%	
Emerging Market Bonds	16.3%	-4.4%	5.1%	0.6%	9.9%	8.2%	-2.8%	13.7%	1.3%	
Global Corporate Bonds	5.6%	-0.1%	7.9%	0.9%	3.3%	2.1%	0.5%	7.1%	3.1%	
Global Government Bonds	4.5%	0.2%	8.5%	1.3%	3.0%	1.2%	1.1%	6.0%	3.7%	Lowest Returns

Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

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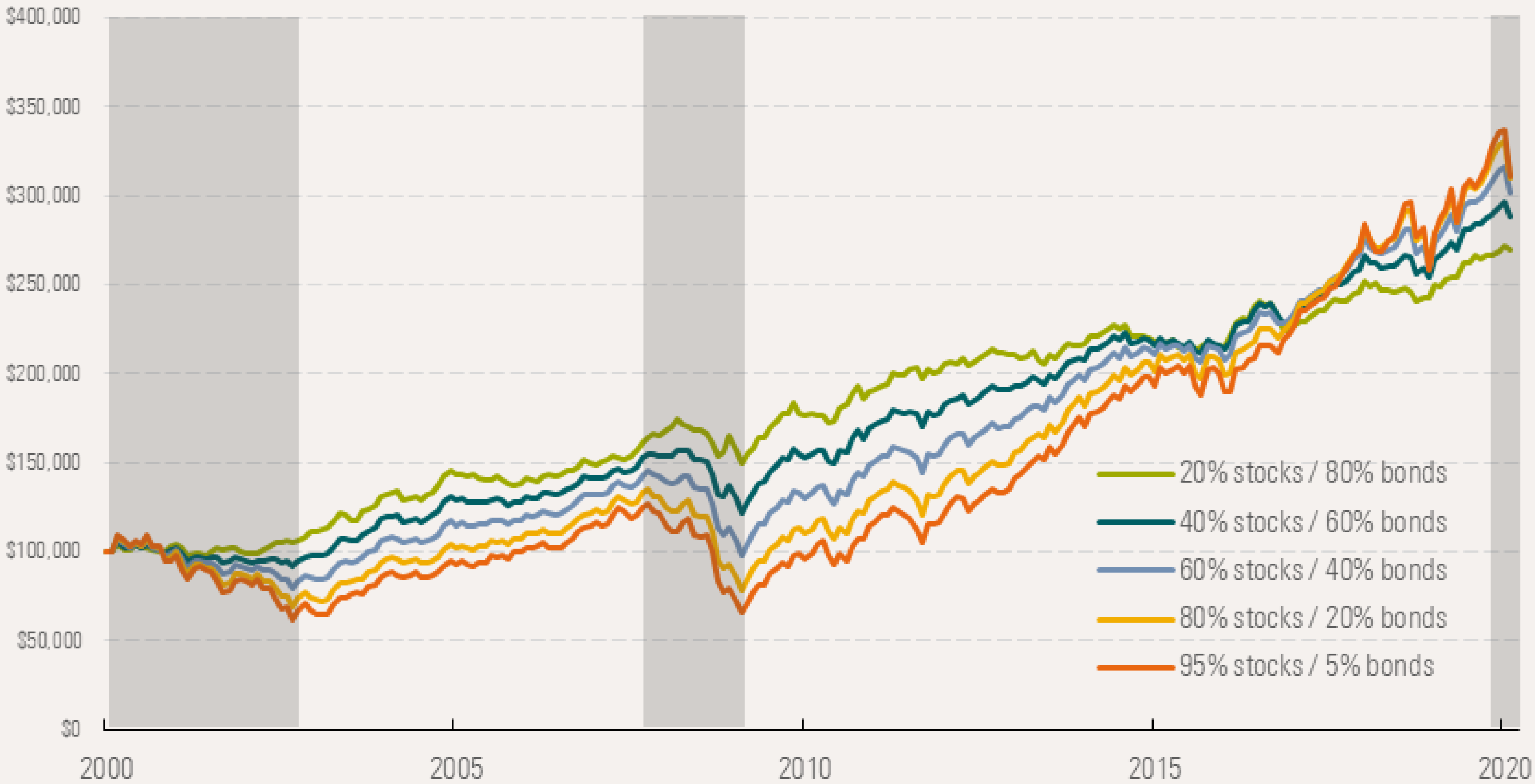
Risk Profile Summary: The Third Major Downturn in 20 Years, But Risk Seekers Are Ahead

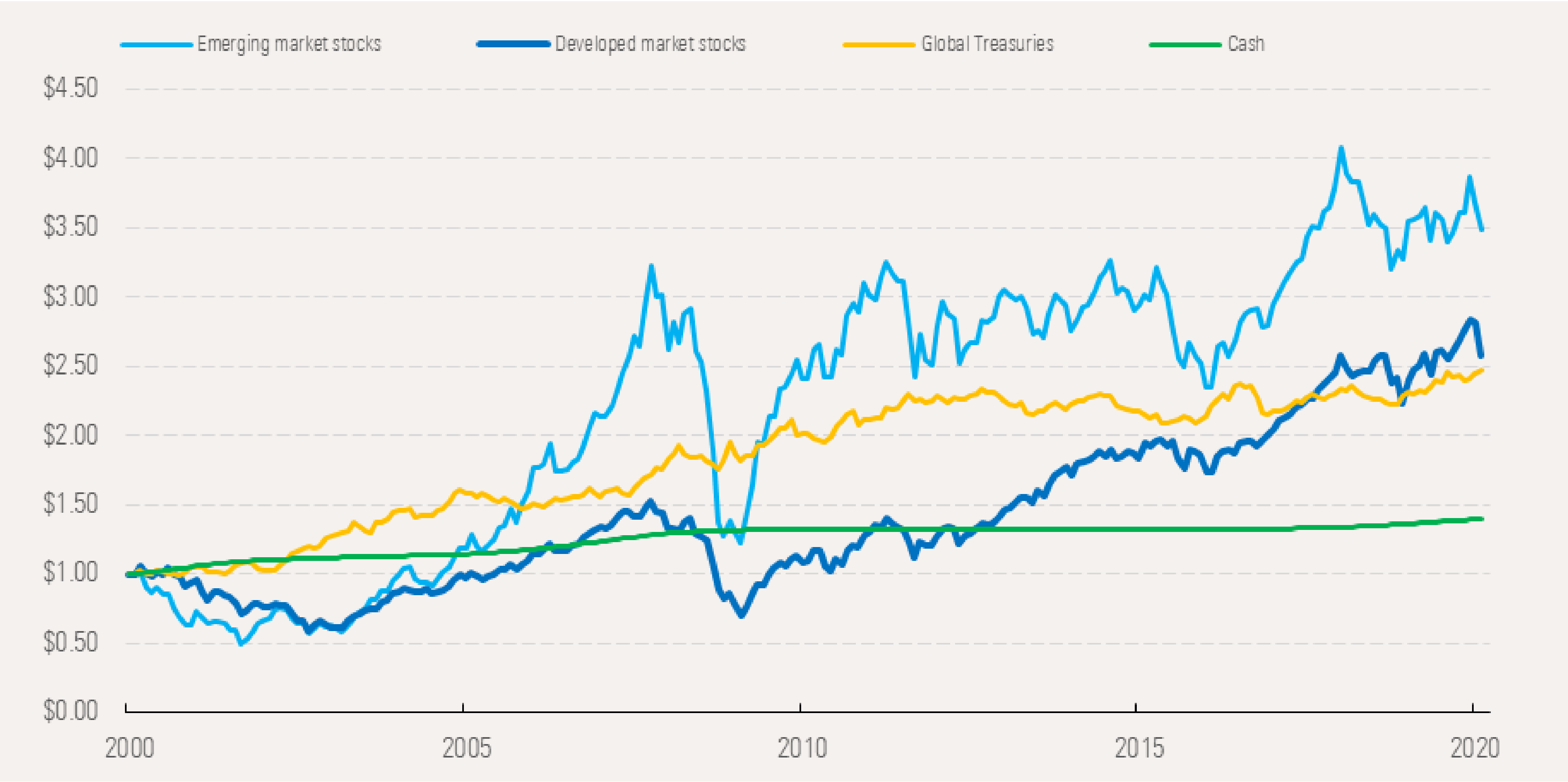
Stocks & Bonds Split 2000-Feb 2020



Past performance is no guarantee of future results. Hypothetical value of $1 invested at the beginning of 1999. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

No Risk, No Reward

Stocks, Bonds and Cash Jan 2000–Feb 2020



Past performance is no guarantee of future results. Hypothetical value of $1 invested at the beginning of 2000. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

The Importance of Staying Invested 3

Returns and principal invested in stocks are not guaranteed. Stocks have been more volatile than bonds or cash. Holding a portfolio of securities for the long term does not ensure a profitable outcome and investing in securities always involves risk of loss.

About the data: Recession data is from the National Bureau of Economic Research (NBER). The market is represented by the Morningstar US Market Index. Cash is represented by the 30-day U.S. Treasury bill. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs.

U.S. Market Recovery After Financial Crises 4

Diversification does not eliminate the risk of experiencing investment losses. Government bonds are guaranteed by the full faith and credit of the U.S. government as to the timely payment of principal and interest, while returns and principal invested in stocks are not guaranteed. Stocks have been more volatile than bonds.

About the data: Stocks are represented by the Ibbotson® Large Company Stock Index. Bonds are represented by the 20-year U.S. government bond. Calculations are based on monthly data. Data assumes reinvestment of all income and does not account for taxes or transaction costs. For the U.S. savings and loan crisis, August 1989 was chosen because that was the month the Financial Institutions Reform, Recovery and Enforcement Act of 1989 was signed into law. For Long-Term Capital Management, September 1998 was chosen because that was the month the hedge fund was bailed out by various financial institutions. For the banking and credit crisis, October 2008 was chosen because that was the month the Emergency Economic Stabilization Act was signed into law.

The Cost of Market Timing 5

Returns and principal invested in stocks are not guaranteed, and stocks have been more volatile than other asset classes. Holding a portfolio of securities for the long-term does not ensure a profitable outcome and investing in securities always involves risk of loss.

About the data: Stocks in this example are represented by the Ibbotson® Large Company Stock Index. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs.

Risk of Stock Market Loss Over Time 6

Holding stocks for the long term does not ensure a profitable outcome and investing in stocks always involves risk, including the possibility of losing the entire investment. Stocks are not guaranteed and are more volatile than other asset classes.

About the data: Large stocks in this example are represented by the Ibbotson® Large Company Stock Index. An investment cannot be made directly in an index. The data assumes reinvestment of all income and does not account for taxes or transaction costs.

Market-Timing Risk 7

Although successful market timing may improve portfolio performance, it is very difficult to time the market consistently. In addition, unsuccessful market timing can lead to a significant opportunity loss. Returns and principal invested in stocks are not guaranteed, and stocks have been more volatile than other asset classes. Holding a portfolio of securities for the long-term does not ensure a profitable outcome and investing in securities always involves risk of loss.

About the data: Stocks are represented by the Ibbotson® Large Company Stock Index. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs.

Asset-Class Winners and Losers 9

Diversification does not eliminate the risk of experiencing investment losses. Government bonds and Treasury bills are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest, while stocks are not guaranteed and have been more volatile than the other asset classes. Furthermore, small stocks are more volatile than large stocks and are subject to significant price fluctuations, business risks, and are thinly traded. International investments involve special risks such as fluctuations in currency, foreign taxation, economic and political risks, liquidity risks, and differences in accounting and financial standards.

About the data: The indexes referenced are in the following order: Morningstar US Market Index, Morningstar Global Markets Index, Morningstar UK Index, Morningstar Emerging Markets Index, Morningstar EM Composite Bond Index, Morningstar Global Corporate Bond Index, Morningstar Global Treasury Index. An investment cannot be made directly in an index. The data assumes reinvestment of all income and does not account for taxes or transaction costs.

Risk Profile Summary 10

Differences in an investors stock/bond split can have a meaningful impact on the long-term outcomes. Keep in mind that the last 20 years has included three major drawdowns, as well as many more smaller drawdowns. Yet, despite these setbacks, having a larger weighting to stocks has delivered a better net outcome. That's not to say it always will, but it historically has helped.

About the data: The stocks are represented by the Morningstar US Market Index. The bonds are represented by the Morningstar Global Treasury Bond Index. An investment cannot be made directly in an index. The data assumes reinvestment of all income and does not account for taxes or transaction costs.

No Risk, No Reward 11

If you wish to deliver high returns, this can't be done without taking risk. We can see that risk and reward are connected in the long run, even when taking into account the market declines in 2000-02, 2007-09 and again in 2020. So broadening your horizon is important.

About the data: Emerging markets refers to the Morningstar Emerging Markets Index. Developed Markets refers to the Morningstar Developed Markets Index. Global Treasuries refers to the Morningstar Global Treasury Bond Index. . Cash is represented by the 30-day U.S. Treasury bill. An investment cannot be made directly in an index. The data assumes reinvestment of all income and does not account for taxes or transaction costs.

Index Definitions

Morningstar Global Markets Index - Measures the performance of performance of the stocks located in the developed and emerging countries across the world. Stocks in the index are weighted by their float capital.

Morningstar US Market Index - The index measures the performance of US securities and targets 97% market capitalization coverage of the investable universe. It is a diversified broad market index.

Ibbotson® Large Company Stock Index - The index measures the performance of US large-cap stocks. These stocks approximately represent 70-75 percent of the investable universe in the US by market capitalization.

Morningstar Emerging Markets Index - The index measures the performance of emerging markets targeting the top 97% of stocks by market capitalization.

Morningstar Developed Markets Index - The index measures the performance of developed regional markets targeting the top 97% of stocks by market capitalization.

Morningstar UK Index - The index measures the performance of UK's equity markets targeting the top 97% of stocks by market capitalization.

Morningstar Global Corporate Bond Index - The index measures the performance of corporate bonds with maturities greater than one year issued by developed market countries. It is market-capitalization weighted.

Morningstar Global Treasury Index - The index measures the performance of sovereign bonds with maturities greater than one year issued by developed market countries. It is market-capitalization weighted.

Morningstar EM Composite Bond Index - Measures the performance of performance of emerging market bonds by combining the sovereign and corporate bonds in emerging market countries.

30-Day US Treasury Bill – This denotes a short-term U.S. government debt obligation backed by the Treasury Department with a maturity of 30 days. It is seen to be a proxy for cash.

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