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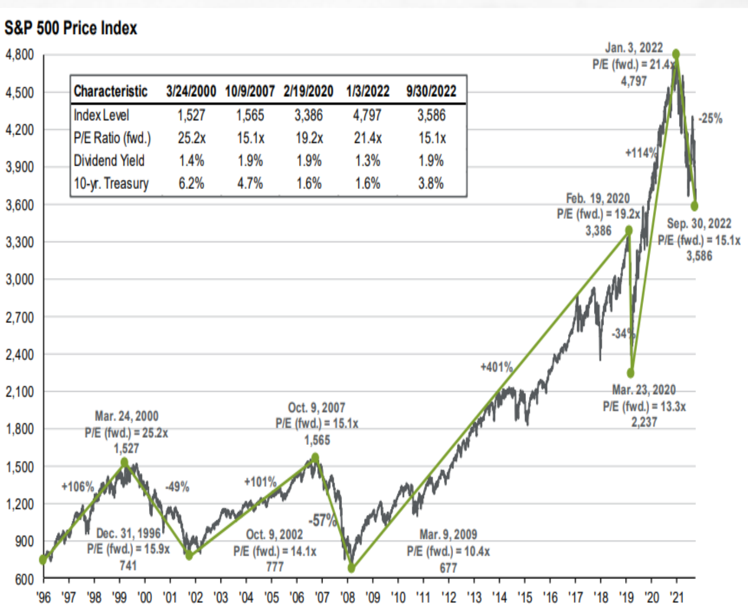
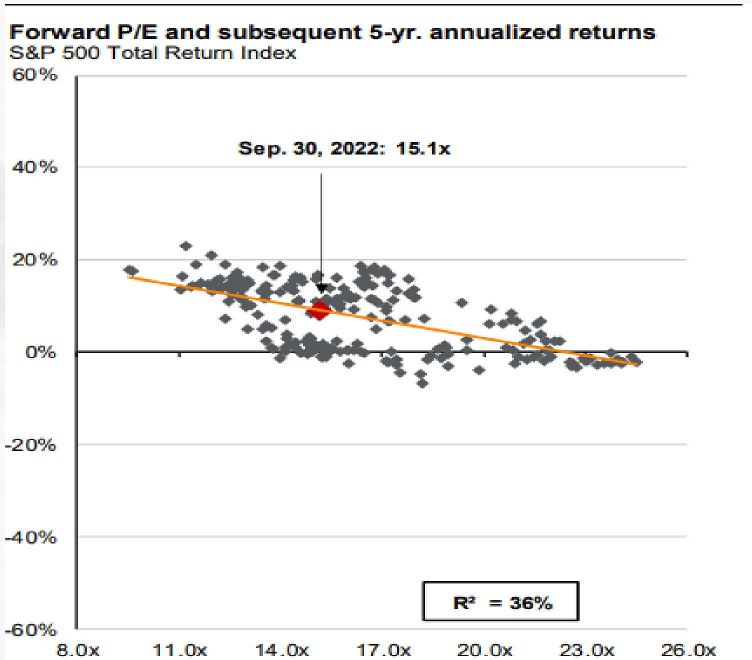
Harpswell's Market Outlook

After World War II, Winston Churchill worked to form the United Nations, saying, "Never let a good crisis go to waste". Churchill's insight into human nature can be applied to a myriad of contexts including the global financial markets and the turbulence we have experienced thus far in 2022. As the markets continue to gyrate downward, Harpswell embraces a variety of tactical positioning as a means to take advantage of opportunities that emerge from the shrapnel emitted from the 2022 financial crisis.

As the graph below highlights, the markets doubled (up 114%) after hitting lows in March of 2020 and have since lost a quarter of their value. The good news is the market's valuation, with a P/E ratio of 15.1, is much closer to the average experiences over the last 20 years.



As we look at valuations, we recognize a loose relationship between current valuations and subsequent returns. While it's hardly a forecast, nor is it worth banking on, the statistical relationship between P/E ratios and the subsequent 5-year returns suggests we would typically achieve a low double digit return at these valuations (below).



The Bond Market is the tail wagging the dog

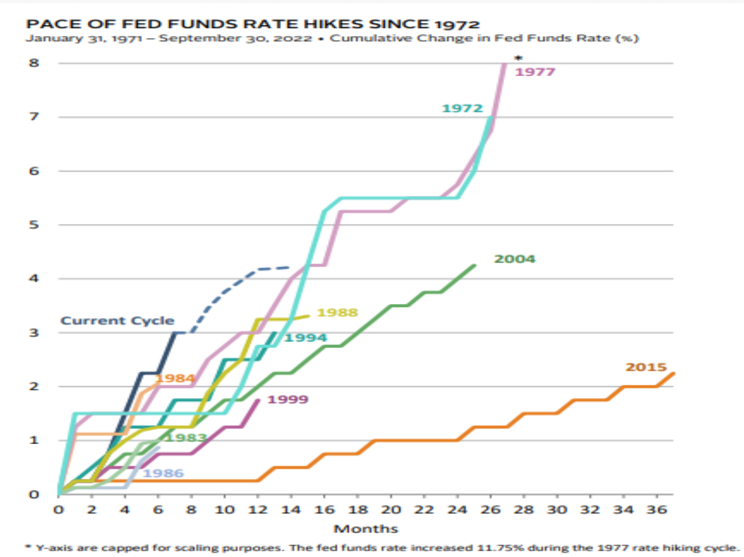
Typically, the stock market is an underlying driver for volatility in the bond market. When there is blood in the streets, and chaos in the equity markets, people flee stocks for the safety of bonds and interest rates drop as bond prices rise. This crisis is an extreme exception as we have not experienced a double digit drop in both the stock and bond market at the same time in over a century. Interest rates were at almost zero and they only had one way to go: up.

As interest rates elevated, resulting from very high inflation, stocks fell for a couple of reasons. First, the two asset classes do compete for investors and as interest rates rose above 4%, many investors locked in what seemed like attractive returns with much lower risk. *(continue to page 2)*

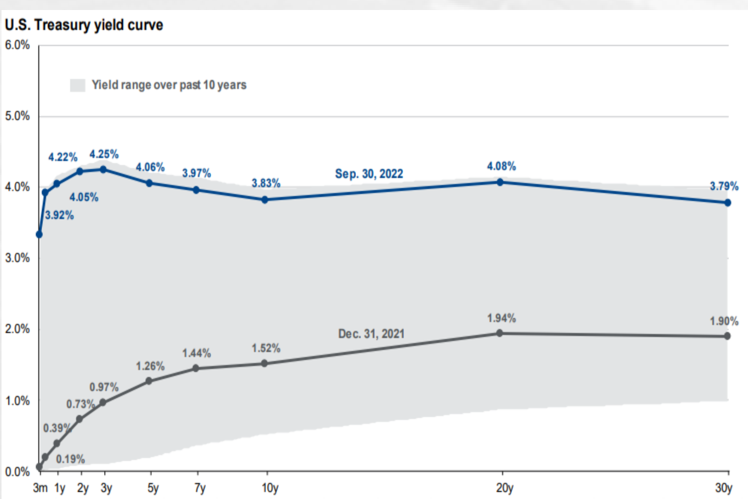
Market Outlook *(continued from page 1)*

Also, interest rates play a key role in stock valuations for those companies with an anticipated high level of growth. Thus, as interest rates increase, growthy stocks typically plummet; as they did.

The rate at which interest rates increased during this cycle was disruptive, too. As the graph below highlights, this year's pace of interest rate changes is unprecedented.

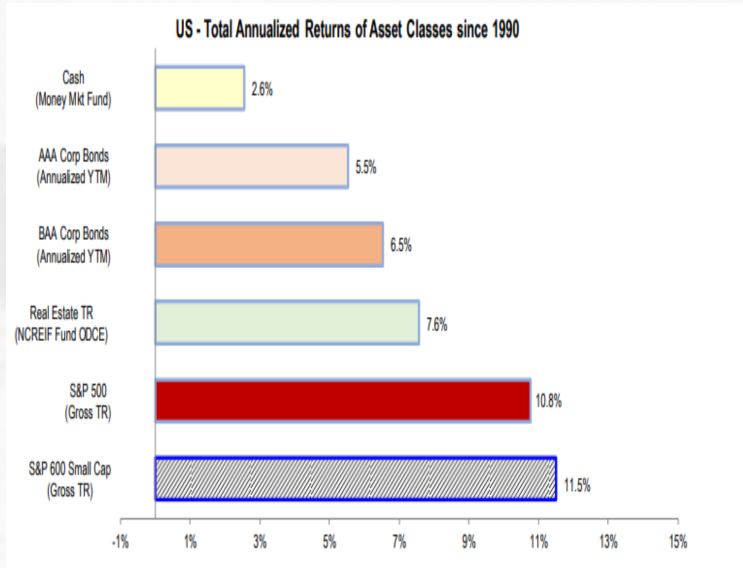


Interest rates currently stand at ten-year highs. Just as important, the interest rate curve (below) is inverted. An inverted yield curve occurs when near term rates are higher than long-term rates and this phenomenon is often associated with an impending recession. There already seems to be a consensus that we are in, or will be in, a recession.



Tactical Opportunities

Harpswell's team sees a compelling case for investment exposure to international stocks as well as smaller cap stocks. We recognize each portfolio is different and a tactical allocation to small cap and international stocks needs to be a well-reasoned one with a plethora of considerations to be contemplated. Thus, this is not unconstrained advice for all investors; please consult with your advisor or reach out to us to see if these investments are right for you.



Small Cap Stocks

Over time, small cap stocks have outperformed their larger cap brethren. However, over the last few years, large cap stocks have handedly outperformed, leaving small cap stocks with a much more attractive valuation. Small cap stocks are actually trading a 21-33% discount to their twenty-year history while large cap stocks are trading very close to or over their average.

Current P/E as % of 20-year avg. PE

	Value	Blend	Growth
Large	88.5%	97.9%	109.8%
Mid	82.1%	84.6%	97.2%
Small	78.2%	78.7%	66.7%

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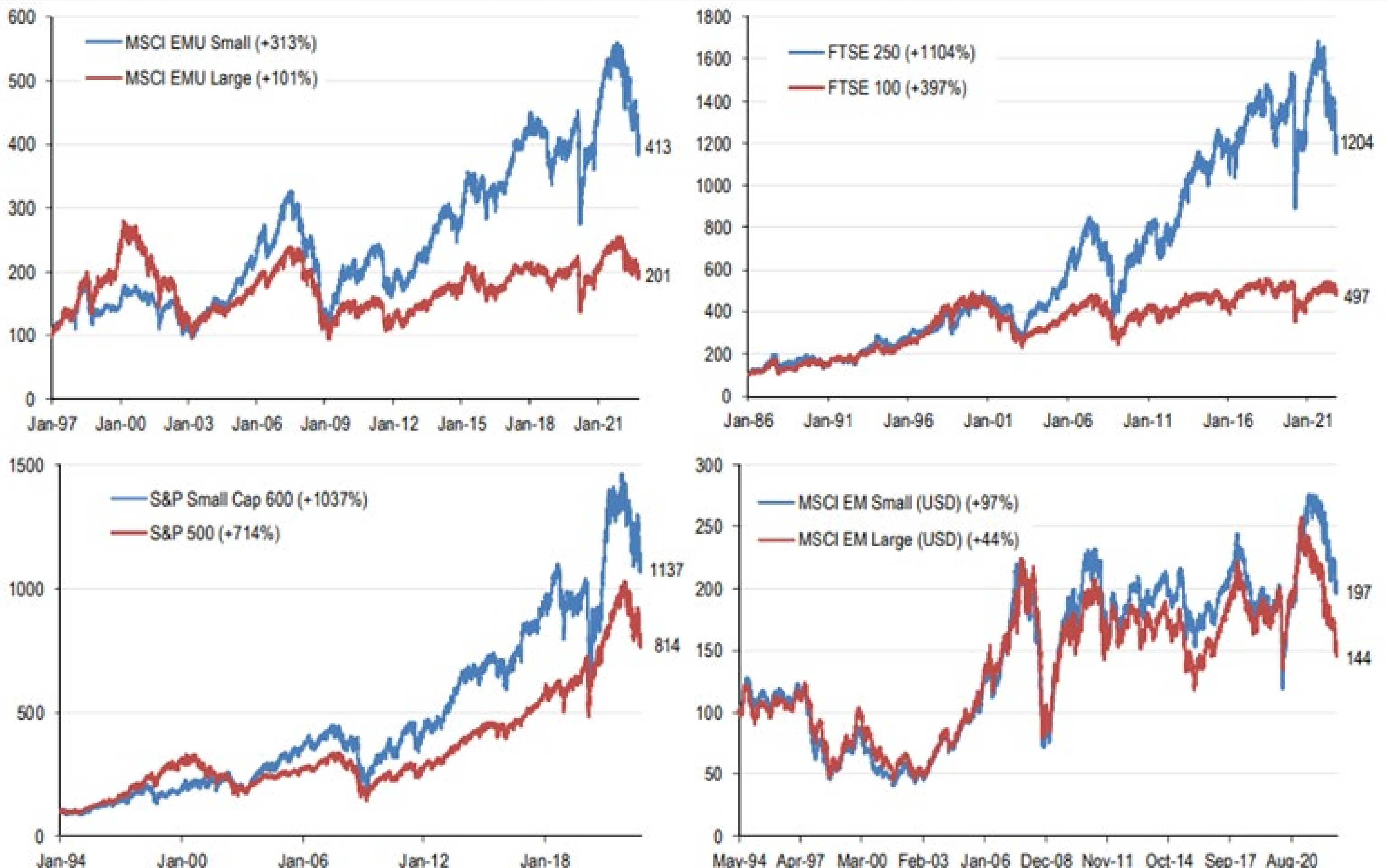
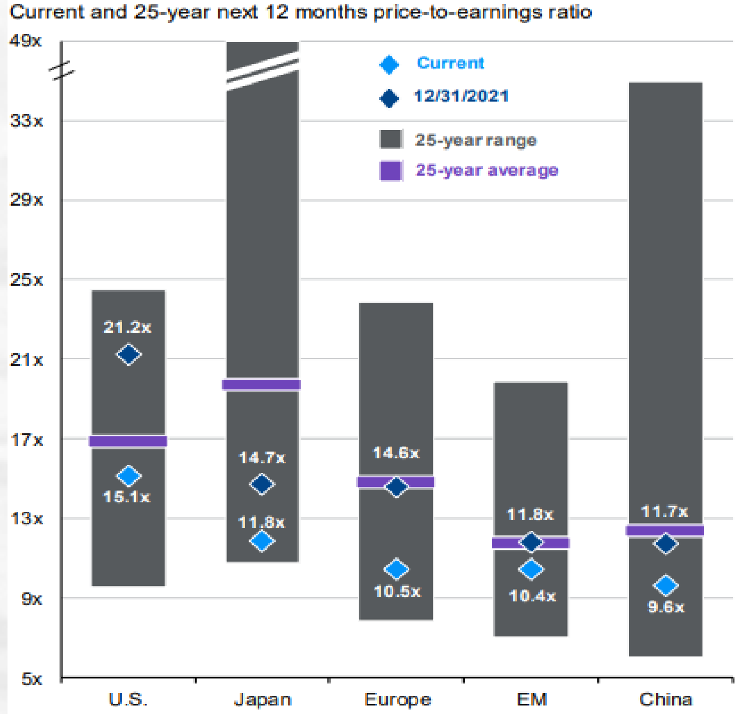
Market Outlook *(continued from page 2)*



Source: Factset, Bloomberg Finance L.P., J.P. Morgan

Global valuations

Current and 25-year next 12 months price-to-earnings ratio



International Stocks

There are a number of factors driving the decision to have, or increase, exposure to international stocks. The fact that domestic stocks have outperformed international stocks for over 15 years, to the tune of over two hundred percent, by itself is not a basis for this theses. That is a technical factor and Harpswell rests on fundamental reasoning when evaluating investments.

The US stock market is overvalued relative to all other markets and is close to its 25-year average. Valuations can be part of a compelling tactical shift and current valuations suggest it is worth diving a little deeper.

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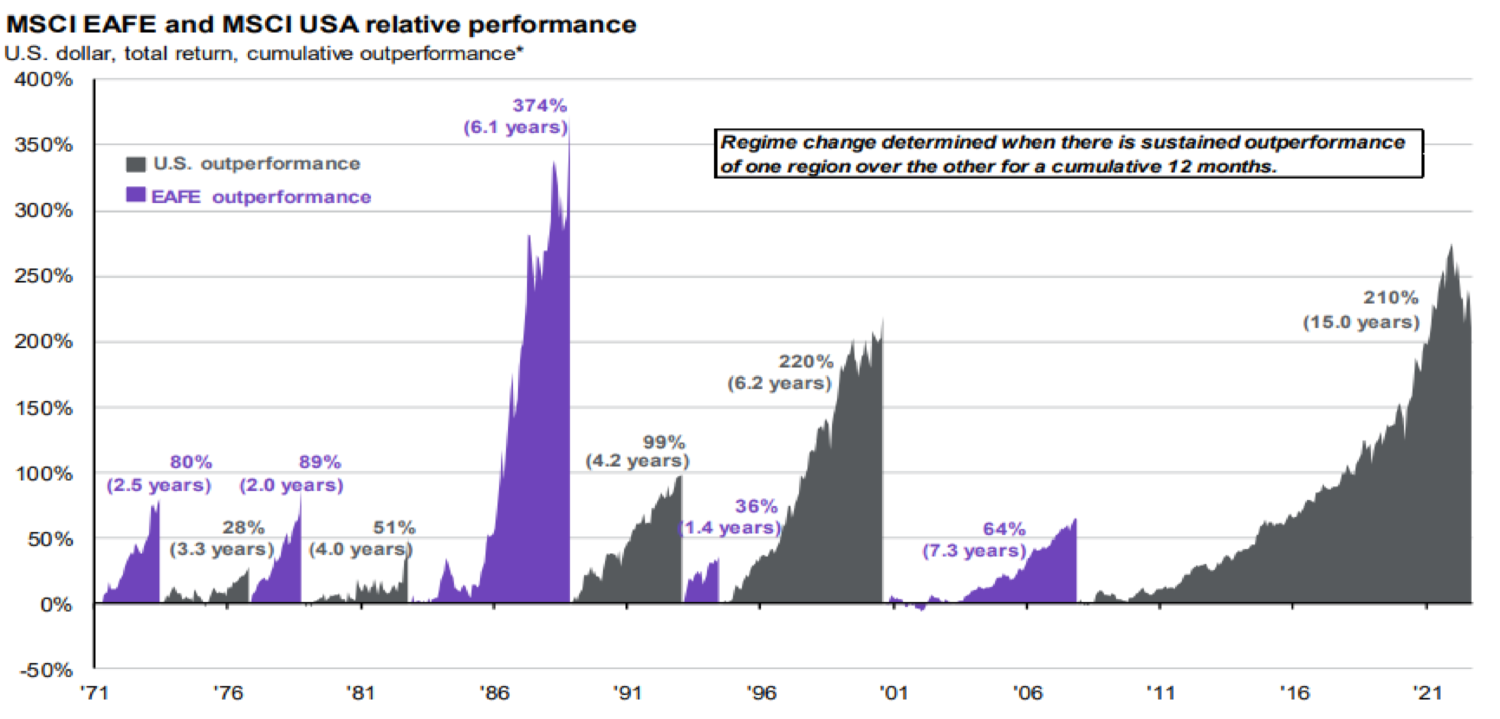
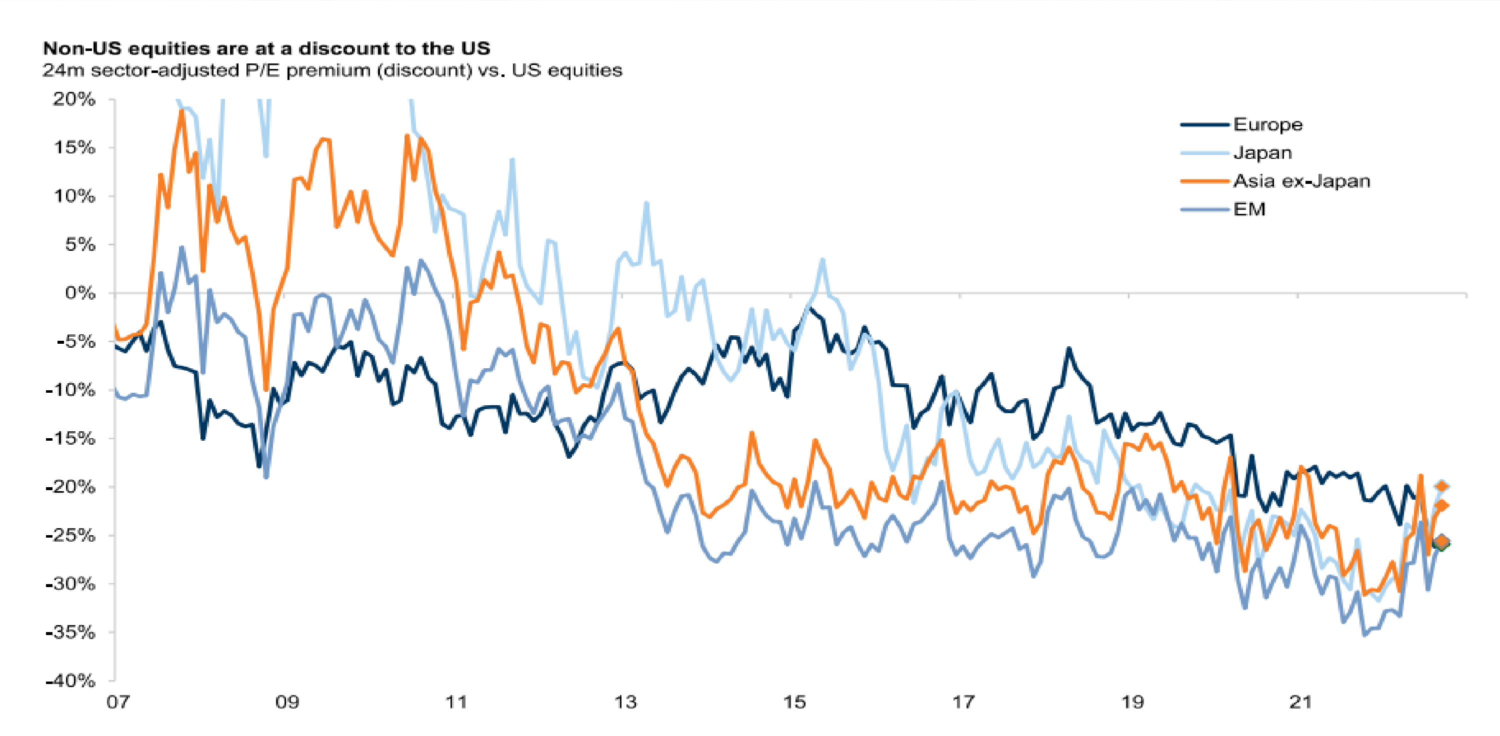
Market Outlook *(continued from page 3)*



Non-US equities' relative valuations have been trending downward for more than a decade. We also recognize how the US dollar has been outperforming almost every other currency and this creates a tailwind for international stocks in two ways. First, a weak currency (i.e., strong US dollar) makes it easier for foreign companies to sell their products to Americans and other economies with dollar centric currencies. Second, if the dollar reverts to a mean, that would give a lift to dollar-denominated investments in international markets.



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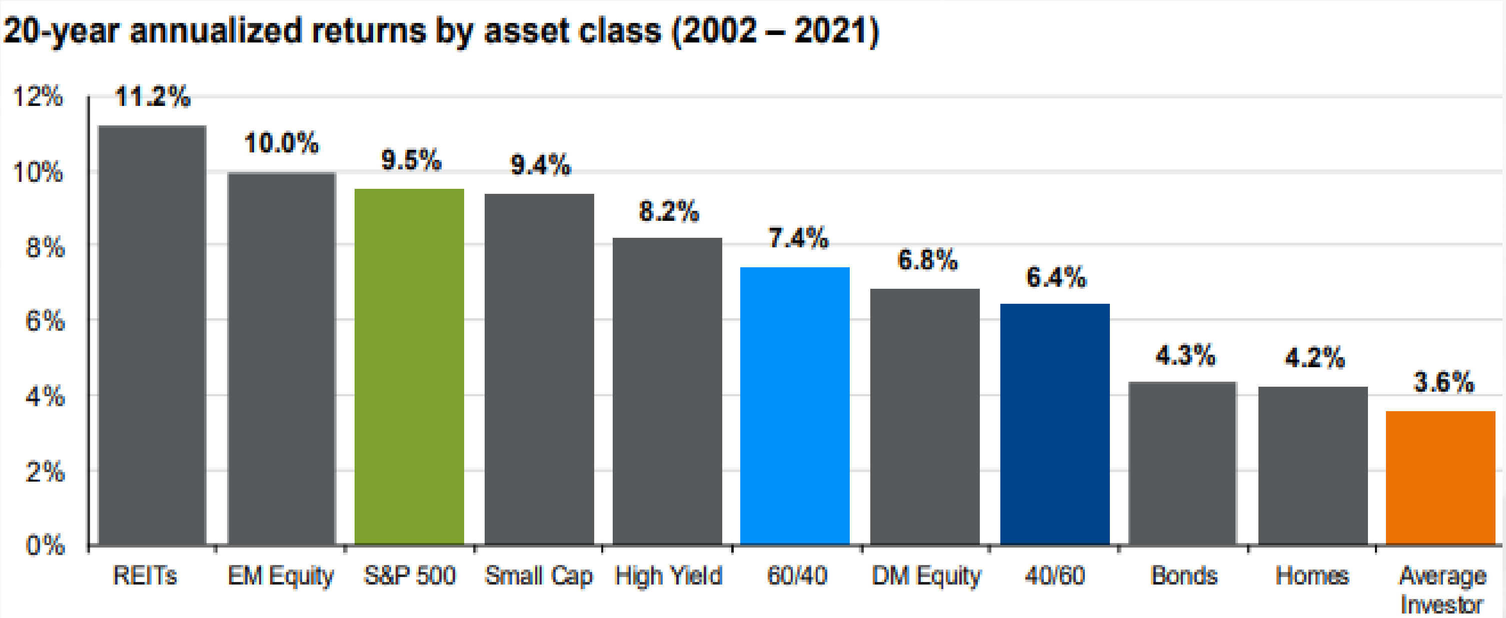


Stay Invested

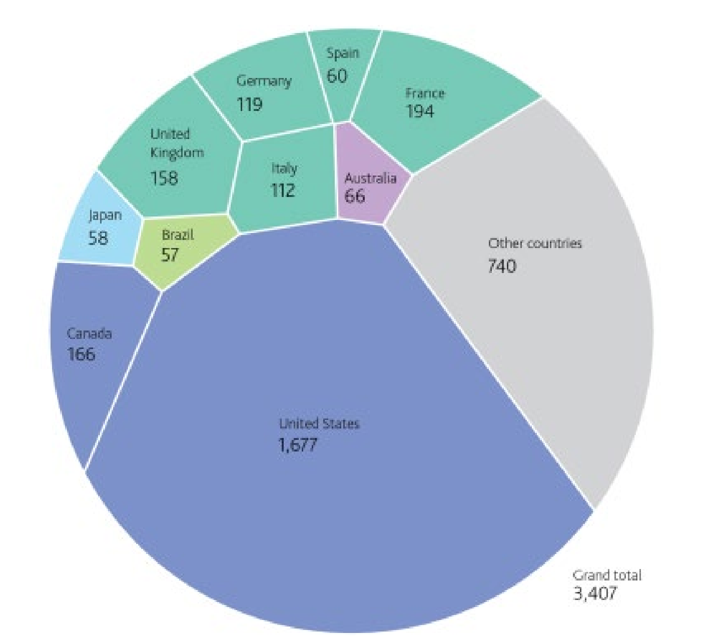
One of the key advantages an investment advisor brings to its clients is the discipline to stay invested as turbulent markets erode your nest egg. Often it is very tempting to take a breather and pull assets from the stock market, yet history tells us those investors suffer on an aggregate basis.

Above is a chart produced by JPMorgan that shows 20-year returns for a number of investments including the infamous 60/40 portfolio (60% stocks and 40% bonds) and its more conservative comrade the 40/60 portfolio. Returns for both portfolios are 7.4% and 6.4%, respectively and they exceed the return of the average investor by an astounding margin.

The predominant explanation for the noteworthy dispersion in returns revolves around the notion that the 60/40, as well as the 40/60, portfolio embrace a structured approach and stay invested during times when anxiety is highest. Most investors have an investment plan, and many unravel when loss-driven anxiety peaks. Staying the course is often the best long-term path for financial prosperity! *

Cyber Security

It was just a couple years ago when a 6-digit password with very few parameters was the norm. As computing speed increases and cyber theft grows, the importance of cloud backups and more sophisticated passwords becomes evident. In 2021, there were over 3,400 ransomware attacks with a majority of them aimed at computers within the United States. Fortunately, the pace of growth for such attacks have peaked as back-ups and better virus technology are proving to offer a substantial defense against ransom attacks.



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Interest Rates

Federal Reserve

The Federal Reserve announced its fourth consecutive interest rate hike of 75bps in November, raising its target range to 3.75% - 4.0%. The Fed's aggressive rate hikes are designed to curb demand by raising borrowing costs and thereby making purchases less appealing. Americans are already struggling with rising costs for virtually all goods and services including food and housing. The Fed's stated target inflation rate is 2% so there is still considerable progress needed as inflation remains above 8%. It's still unclear to what extent the US will experience a Recession but the economy has certainly slowed, logging in several quarters where the GDP contracted.

Treasury Yields

Treasury yields have responded dramatically to both the increases in the Fed Funds rate and high inflation that the economy has experienced in 2022. The Chart compares yields from January 2022 to early November. The 3 Month Treasury started the year at 0.1% and now stands at 4.3%. At present, yields peaked at 4.8% for the 1 Year mark resulting in an inverted Yield curve. The Chart also shows that yield increases have been more pronounced at the short end of the curve in direct response to the Fed's interest rate hikes and it also suggests that investors expect inflation will subside in the longer term putting less pressure on rates.

Interest Rates

The rise in Treasury yields has been a mixed blessing depending on your point of view. Many investors with low-risk tolerances have endured minimal earnings on their fixed income investments in recent years. Now, yields in excess of 4% are available with little risk in the form of CD's or short dated Treasuries.

In contrast, anyone in the market to make purchases on credit will find steeply increased borrowing costs since the beginning of 2022. Mortgage rates have risen to 7% for a 30-year fixed loan as compared to a 3% rate last year.

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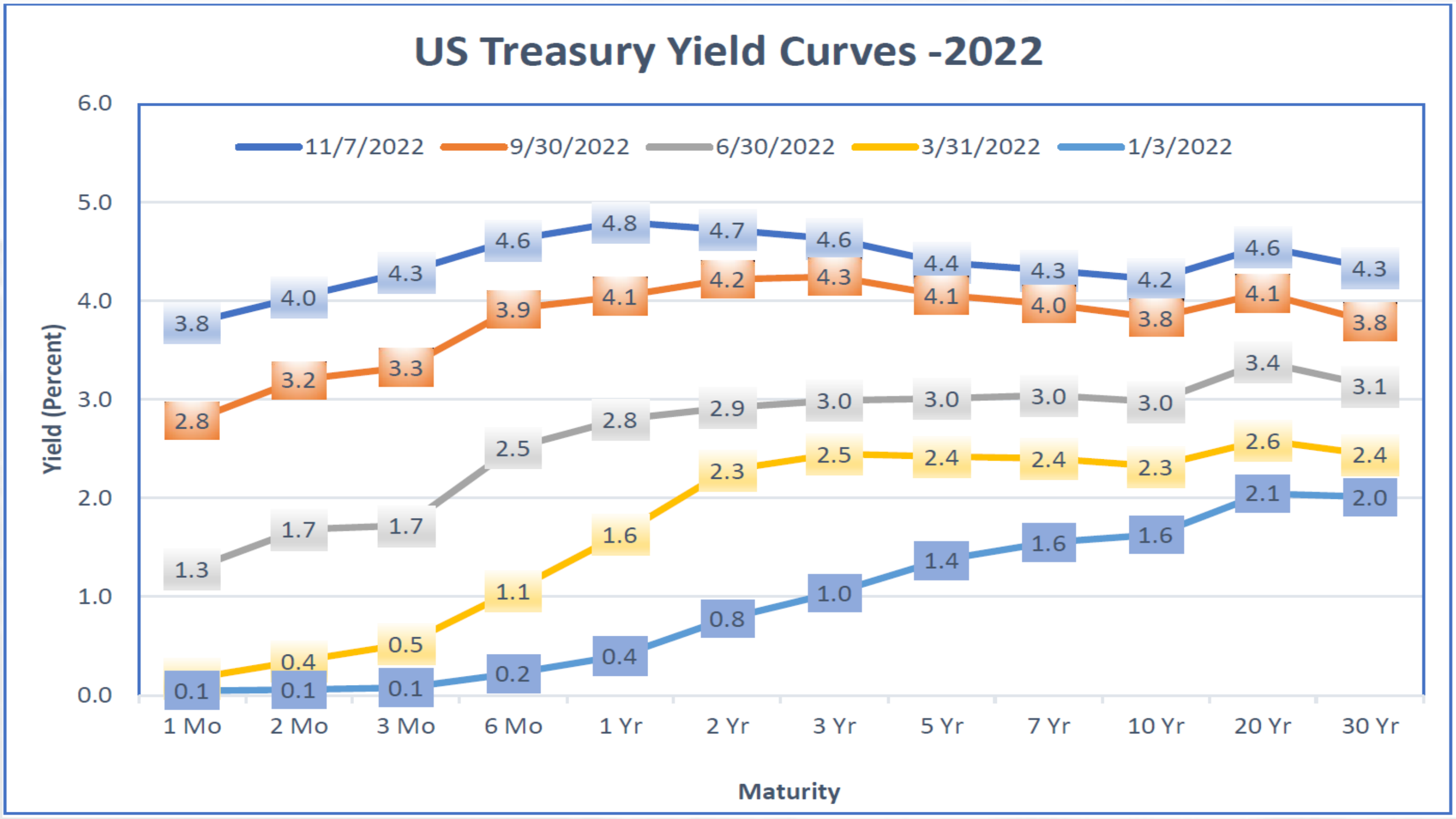
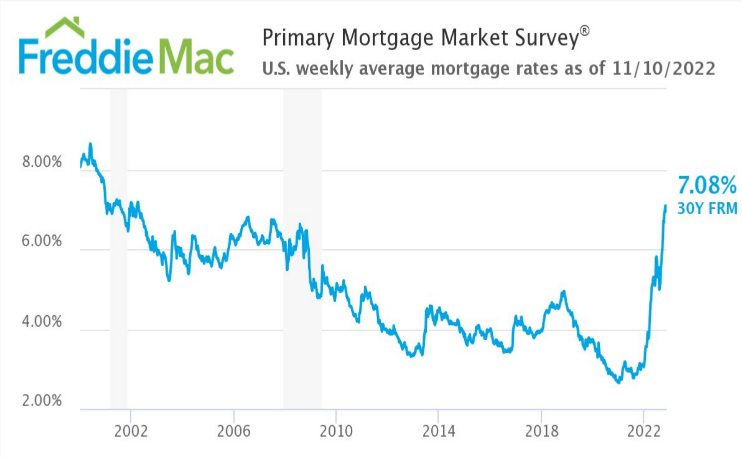


Interest Rates *(continued from page 6)*



The housing market has slowed significantly as a result with some economists predicting price declines if rates continue to rise. Credit Card rates on average have jumped to nearly 20% from 16% at the beginning of the year. Given the rapid rise in prices due to inflation in 2022, the higher credit card rates will present a significant financial burden to anyone financing their purchases over time.

Auto Financing is also experiencing rising costs where interest rates for new car loans average about 5.2% and used cars loans are nearly 9%. Sub-prime borrowers face significantly higher borrowing rates. Given the increased borrowing costs and higher car prices, lenders are responding by lengthening their loan terms to as much as seven years. Economists have expressed concern that if the economy enters a recessionary period and employment suffers, auto loan delinquencies could rise and lenders will be presented with defaulted loans where the remaining balance exceeds the value of the underlying collateral.

The balance of 2022 will present significant challenges to the Federal Reserve as it implements its policy of raising interest rates to lower inflation without pushing the US economy into a deep and prolonged Recession. Investors are hoping to see a "Fed Pivot" in the near future where rate increases diminish or end completely but inflation must show signs of abating before optimism becomes reality. *

Cyber Security *(continued from page 5)*

As computing speed grows, the ease and timing of breaking a password evolves in favor of the bad guys. The chart below highlights how adding the widest breadth of possible characters (e.g., capital letters, numbers and symbols), can meaningfully improve the security of your password. Ultimately, to be safe, a 12-digit password with numbers, upper/lower case letters and symbols should work, as it would take 3,000 years to break.

VERY WEAK | WEAK | MODERATE | STRONG

Number of characters	Numbers only	Lowercase letters	Upper and lowercase letters	Numbers, upper and lowercase letters	Numbers, upper and lowercase letters, symbols
4	Instantly	Instantly	Instantly	Instantly	Instantly
5	Instantly	Instantly	Instantly	Instantly	Instantly
6	Instantly	Instantly	Instantly	Instantly	Instantly
7	Instantly	Instantly	2 secs	7 secs	31 secs
8	Instantly	Instantly	2 mins	7 mins	39 mins
9	Instantly	10 secs	1 hour	7 hours	2 days
10	Instantly	4 mins	3 days	3 weeks	5 months
11	Instantly	2 hours	5 months	3 years	34 years
12	2 secs	2 days	24 years	200 years	3k years
13	19 secs	2 months	1k years	12k years	202k years
14	3 mins	4 years	64k years	750k years	16m years
15	32 mins	100 years	3m years	46m years	1bn years
16	5 hours	3k years	173m years	3bn years	92bn years
17	2 days	69k years	9bn years	179bn years	7tn years
18	3 weeks	2m years	467bn years	11tn years	438tn years

Finally, to check and see if your data (e.g., passwords and usernames) have made it into the illicit databases of corrupt hellions, you can check using: http://haveibeenpwned.com

Have I Been Pwned checks your email and telephone number to see if they have been compromised in a data breach

Here are three easy steps to better security:

- Use a password generating ap for generating and storing passwords
- Enable 2 factor authentication whenever possible
- Sign up to receive notifications when you have been Pwned and change your passwords when it happens! *

Style Boxes 101

In finance, familiar-sounding words have specialized meanings. Knowing what the investment industry means by these terms is essential for understanding the difference between your investment choices.

Size and Style

Below is a Style Box, invented by Morningstar, a company that analyzes mutual funds. Equity mutual funds invest in shares of stocks, and these mutual funds are the primary investment vehicles used by financial advisors and by participants self-directed retirement plans. Morningstar's style box compiles the size and style characteristics of the companies in the mutual fund.

	Value	Blend	Growth
Large	15	26	31
Medium	5	10	5
Small	3	4	2

This style box shows an index fund of the entire US stock market. It holds shares of (substantially) all 4,000 companies in the US market, each of them held in proportion to the company's share of the entire market.

You may notice the market is not evenly spread across the sizes (Small, Medium, Large) or styles (Value, Blend, Growth). 31% of the market is Large Growth while only 3% is Small Value.

If you created your own mutual fund and you spread your holdings out equally in each size and style, you would have 11% in each grid area. That might seem like the "safe" or "passive" thing to do, but you would be making a significant bet "against" Large companies and "for" Small and Medium sized companies.

	Value	Blend	Growth
Large	11	11	11
Medium	11	11	11
Small	11	11	11

Except for total-market funds, most mutual funds specialize in a size and style, such as the Small Value fund, below.

	Value	Blend	Growth
Large	2	0	0
Medium	4	3	2
Small	56	29	5

If we want to understand what this Small Value fund *actually is*, and how that differs from the total market, we have to learn what Small/Large, and Value/Growth mean when it comes to stocks.

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Small, Medium, Large. Simple, right?

We are familiar with small, medium, and large when it comes to portion sizes, but size comparisons in the US stock market are a little different.

If the 10 oz coffee was the typical Small Cap company ($2 Billion), the typical Mid Cap ($15 Billion) would be over ½ gallon and the typical Large Cap ($23.5 Billion) would be almost an entire gallon.

Meanwhile, the largest company in the stock market ($2.1 T) would be 82 gallons, which would fill two bathtubs.

Also consider that by *typical* Small Cap we are talking about the *median* Small Cap. The smallest company included in the Small Cap index ($20 Million) would only amount to 2/3 of a teaspoon!

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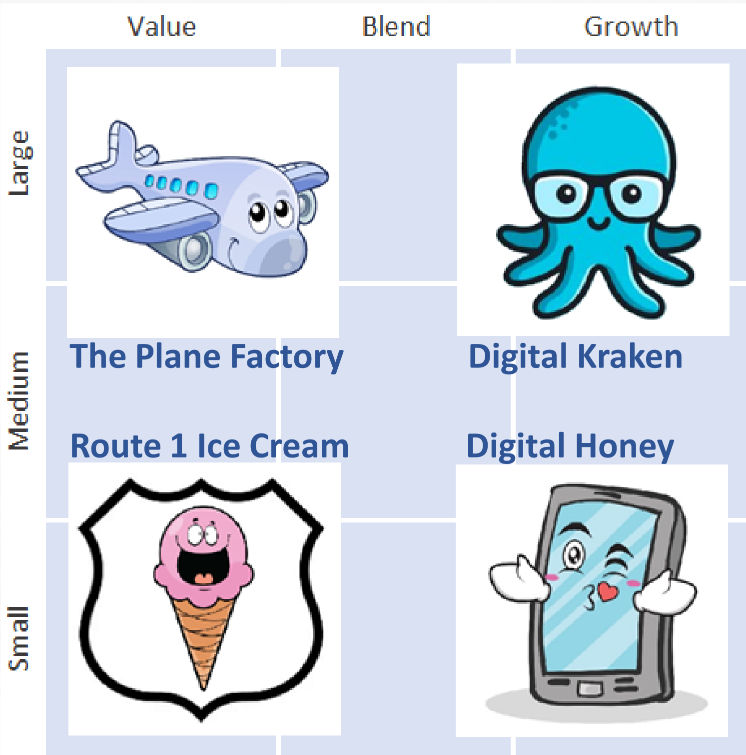
Style Boxes 101 *(continued from page 9)*

Value and Growth

Next, we'll use some imaginary companies to illustrate what's meant by Value and Growth when it comes to stocks.



Value

Route 1 Ice Cream produces ice cream for small ice cream stands and restaurants in New England. The term "Value" refers to the value of property, plant, and equipment on their accounting statements. In the accounting world, those **tangible assets** are carried on the balance sheet and depreciated over time.

The Airplane Factory produces aircraft for the global aviation industry, so they have a whole lot of property, plant and equipment! When business is slow, the cost of maintaining all that productive capacity can be a drag on profits, but when business is booming, revenues rise faster than costs. This characteristic of Value companies is called "**operating leverage**".

Growth

Digital Kraken operates a digital platform with hundreds of millions of users. Their value comes from their brand, the network effect of their users, and their technology. Some of those things are **intangible** and don't appear on accounting statements, while things like research and development or marketing are expensed in the year they occur (rather than carried and depreciated like tangible assets).

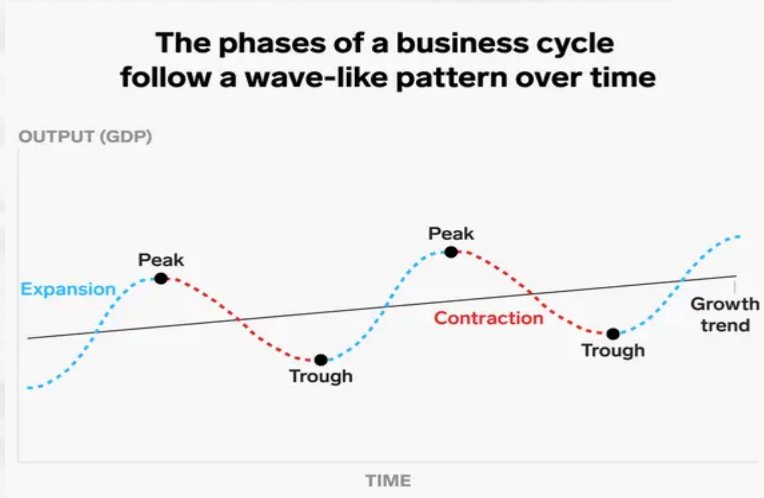
Meanwhile, Digital Honey is a dating app that pairs users with an ideal boyfriend or girlfriend created by artificial intelligence (AI). Some investors think Digital Honey is a terrible idea, while others think the value of its user data and algorithms could make it the next Digital Kraken.

Both companies are predicted (with more-or-less confidence) to have **room for "Growth"**, so the market pays a lot for these stocks relative to what shows up as tangible assets ("Value") on their accounting statements.

Cyclical, Secular, and Leverage

You can predict from Route 1 Ice Cream's business model that they will have a busy season in the summer and a slow season in the winter

History shows that the entire economy has "busy seasons" and "slow seasons". The short-term trend (usually 5-7 years from peak to trough) is called the business cycle.



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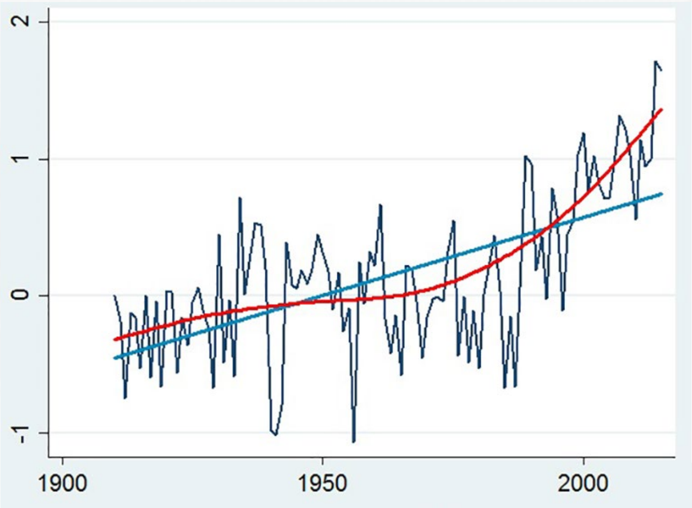
Style Boxes 101 *(continued from page 10)*

Route 1 Ice Cream and The Airplane Factory both have operating leverage, so their profits rise much faster than their expenses when business is booming. Many Value companies can be called "**Cyclical**" because they benefit more than others during expansions and suffer more than others during contractions.

History has also shown that, despite short-term fluctuations, the economy manages to keep growing in the long run. That long run trend is called the **"Secular"** trend.



In this case, the word "Secular" is a term from statistics. It means fitting a smooth line over a noisy series of data points. As you can see above, defining a secular trend can be a matter of how long-term you want to look.

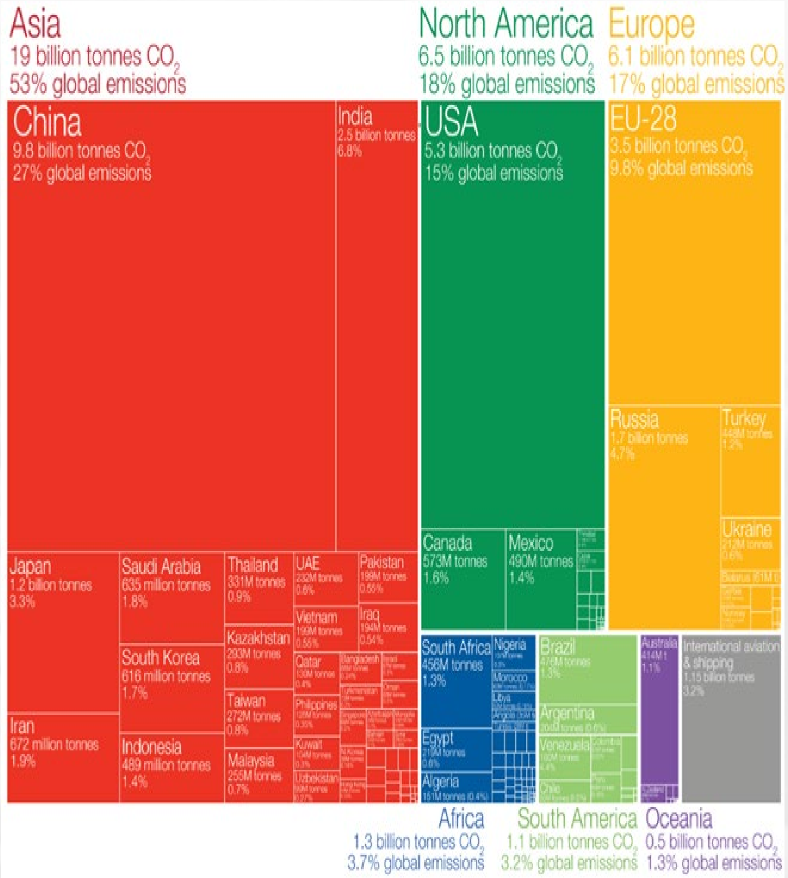
Secular trends in the economy are driven by things like globalization, demographics, and technology. The market considers Growth companies to be tapped into these long-term trends. They have "leverage" on secular trends.

Just like with the business cycle, the secular trends are always easier to spot in hindsight, and the same goes for the companies that win from those trends! Stock-pickers beware! *

Global Pollution & Rising Seas

As global consciousness of the environmental impact of industrialization grows, the transparency of sources of pollution becomes less-and-less opaque. Asia has handedly surpassed the rest of the world in CO2 emissions as it generates 53% of global CO2. China alone represents 27% of global emissions at a rate of 9.8 billion tons of CO2 per year. The United States currently stands at 5.3 billion tons (15% of global CO2). While the USA still accounts for the largest portion (25%) of global emission over time racking up over 400 billion tons.

Scientists estimate that seas will rise approximately one meter over the next century and as much as 5 more meters over the next three hundred years. While at this rate, most of Maine should be fine for at least a few centuries yet parts of the world will be dreadfully impacted.



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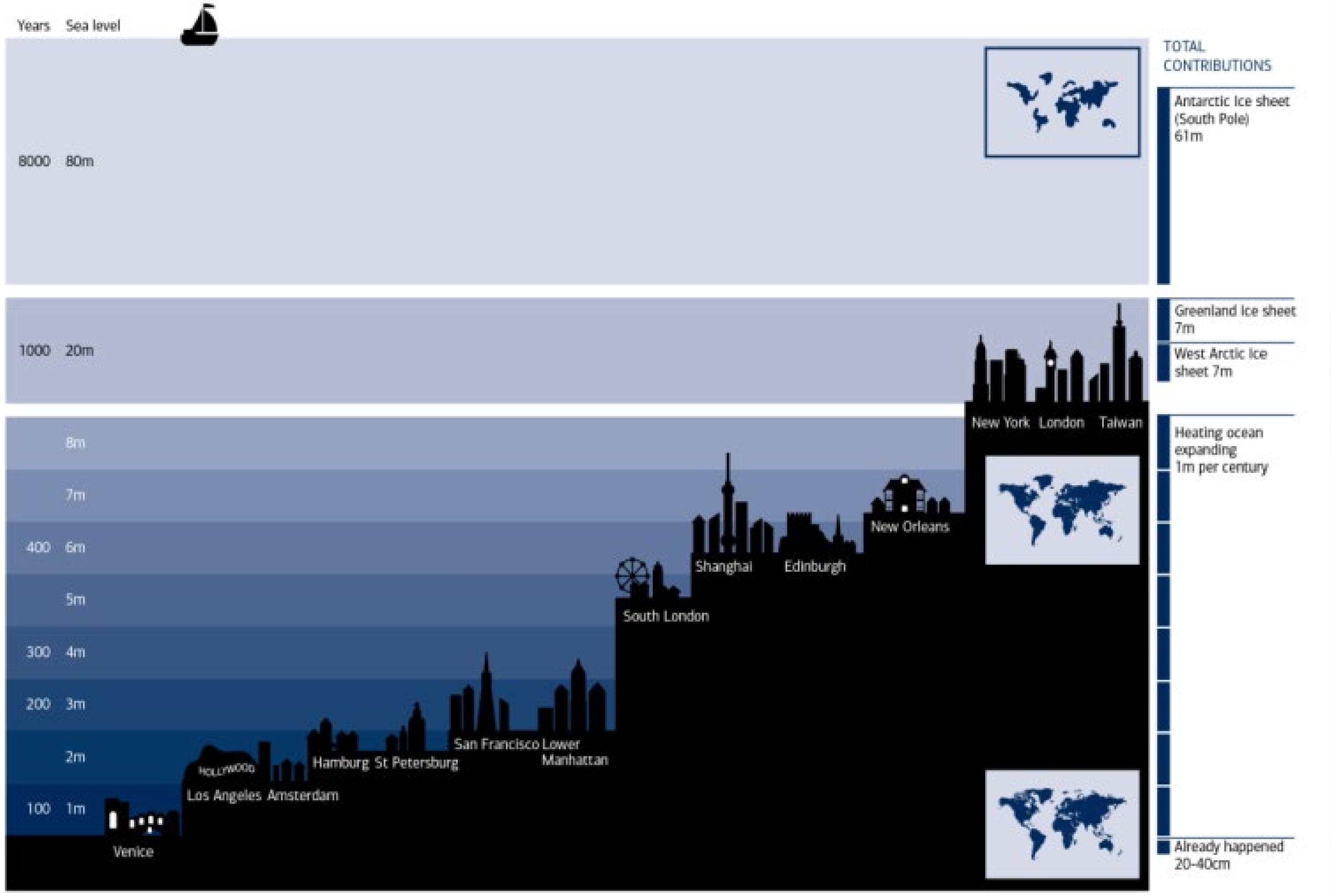
Global Pollution & Rising Seas

Ultimately, most of the world will be facing environmental aversity if our path does not change. While it appears that we have centuries to deal with it, in addition to cities facing submersion we can bet on storm related destruction escalating at a parabolic rate.



Source: Hoffman et. al. Science 2017, InformationIsBeautiful, David McCandless sourced from IPCC AR3, NASA data

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Harpswell CAPITAL ADVISORS, LLC

September 2022 Flash Report

Overview: The Fed raised the Federal Funds Rate by 75bps at its September meeting. The new target range is now 3.00% - 3.25%. The Committee cited "robust" job gains, a low unemployment rate and "elevated" inflation as reasons for raising rates. Also as in previous months, the FOMC sees Russia's ongoing war on Ukraine as a key driver of inflationary pressures. The OECD has reached a similar conclusion that Global economic growth is slowing more than was forecast a few months ago in the wake of Russia's invasion of Ukraine as energy and inflation crises risk snowballing into recessions in major economies. The Fed will also continue with its previously announced balance sheet reduction plan. As the Fed pushed interest rates higher, mortgage rates approached 7% while the Dollar soared against European currencies. Proposed Tax cuts in the UK further exacerbated the Pound's decline, prompting the Bank of England to intervene.

Equities: Domestic – Equity markets declined sharply in September as inflation, rising interest rates and the ongoing war in Ukraine increased concerns that a recession could be significant and prolonged.

S&P 500 fell 9.2% in September resulting in a YTD loss of 23.9%. Energy & Real Estate were the worst performing sectors although the remaining sectors were all significantly negative in the month. Large Value fell by 8.8% while Large Growth lost 9.7% reflecting the broad sell off in September.

The **R2000** lost 9.6% in the month, consistent with losses for larger companies. Small Growth fell by 9% versus Small Value, which lost 10.2%, again reflecting a broad-based market decline.

International – **EAFE** lost 9.3% in September. However, EAFE only fell 6.2% at the local level, reflecting a 3.1% currency loss as the Dollar moved sharply higher. YTD, the strong Dollar reduced EAFE results by 12.7% for US investors. Scandinavia and Australia experienced double-digit declines in the month.

Emerging Mkts lost 11.7% in September. In a reversal from last month, China posted a 14.5% loss. Eastern Europe and Emerging Asia posted losses in the low teens while Brazil had a modest 3.3% loss.

Fixed Income: The Fed raised the benchmark rate by 75bps at its September meeting. What concerned investors the most was Chairman Powell's comments that the markets could except further increases in the future.

The **90 Day T-bill** rate rose by 37bps to 3.24%**.** The **10 Year Treasury** yield increased by 61bps to 3.82% and the **30 Yr. Treasury** yield closed at 3.77%, 46bps higher than August. The Yield Curve is now inverted through the 30 Yr. Treasury with yields peaking with the 2-3 maturities at approximately 4.3%.

Municipal yields moved higher in the month as well where the **1 Year Municipal** yield rose by 75bps to 3.04%. The **30 Year Municipal** yield closed at 3.95%, trading at a 18bps premium versus the **30 Year Treasury.**

International: **German** rates rose significantly in the month, adding 56bps to a 1.73% yield for the **2 Year Bund** and 57bps to a 2.1% yield for the **10 Year**. The **UK 2 Year Gilt** yield jumped another 120bps to 4.17%. The rate has increased by 235bps in the quarter. The **Japanese 10Yr and 2Yr Gov't** bond yields remained relatively unchanged, closing at 0.23% and (0.06%), respectively.

High Yield bonds fell 4% in September, closing with an average yield of 6.8%. The Aggregate Bond Index closed lower by 4.3% in the month as rates continued to move higher, reflecting an approximate yield of 3.6%. Duration is 6.2 years. The Index has lost 14.6% in 2022.

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
Domestic Equities						
Dow Jones	-8.8%	-6.2%	-19.7%	-13.4%	4.4%	7.4%
S&P 500	-9.2%	-4.9%	-23.9%	-15.5%	8.2%	9.2%
Russell LG Value	-8.8%	-5.6%	-17.8%	-11.4%	4.4%	5.3%
Russell LG Growth	-9.7%	-3.6%	-30.7%	-22.6%	10.7%	12.2%
Russell 2000	-9.6%	-2.2%	-25.1%	-23.5%	4.3%	3.6%
NASDAQ	-10.4%	-3.8%	-31.9%	-26.2%	10.7%	11.3%
MLP Index	-7.6%	8.1%	18.9%	19.6%	4.5%	1.9%
REIT Index	-12.7%	-10.8%	-27.9%	-16.3%	-1.1%	4.1%
International Equities						
EAFE	-9.3%	-9.3%	-26.8%	-24.8%	-1.4%	-0.4%
EAFE Small Companies	-11.5%	-9.8%	-31.8%	-31.7%	-1.8%	-1.4%
Emerging Markets	-11.7%	-11.4%	-26.9%	-27.8%	-1.7%	-1.4%
China	-14.5%	-22.4%	-31.1%	-35.3%	-7.1%	-5.4%
Fixed Income						
US Agg	-4.3%	-4.8%	-14.6%	-14.6%	-3.3%	-0.3%
US High Yield	-4.0%	-0.7%	-14.7%	-14.1%	-0.5%	1.6%
Municipal Bonds	-3.8%	-3.5%	-12.1%	-11.5%	-1.9%	0.6%
Currencies						
EURO	-2.8%	-6.5%	-14.0%	-15.5%	-3.5%	-3.7%
British Pound	-4.5%	-8.5%	-17.8%	-17.4%	-3.3%	-3.7%
Japanese Yen	-4.2%	-6.2%	-20.5%	-22.9%	-9.3%	-4.8%
Commodities						
Bloomberg Commodity	-8.1%	-4.1%	13.6%	11.8%	13.5%	7.0%
S&P GSCI Crude Oil	-10.6%	-21.0%	22.3%	25.8%	-3.7%	-0.5%
Gold	-2.9%	-7.9%	-9.3%	-5.7%	2.8%	4.2%

Commodities: WTI Crude Oil fell by $9.3/barrel to $80/barrel in September. Oil declined in the month amid concerns of a potential global recession , historically high inflation rates and a strong Dollar, all of which could significantly reduce demand. Gold prices fell again in the month by $49/oz to close at 1670/oz. Gold prices are sensitive to interest rates. As central banks around the world continued raising interest rates to lower inflation, Gold prices have been negatively impacted moving lower much of this year. This marks six months of consecutive price declines, the longest losing streak for gold since 2018.

DISCLOSURE

General

The information contained herein regarding Harpswell Capital Advisors is confidential and proprietary and intended only for use by the recipient. The information contained herein is not complete, and does not contain certain material information about alternative investments, including important disclosures and risk factors associated with an investment in these types of vehicles, and is subject to change without notice. This document is not intended to be, nor should it be construed or used as an offer to sell, or a solicitation of any offer to buy shares or limited partnership interests in any funds managed by Harpswell Capital Advisors. Neither the Securities and Exchange Commission nor any state securities administrator has approved or disapproved, passed on, or endorsed, the merits of these securities.

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Risks

Harpswell invests in stocks, bonds, mutual funds and sometimes alternative investments. Each asset class, along with each individual investment, carries varied degrees of risk of loss. Harpswell analyses investments from a long-term fundamental perspective and aims to engineer portfolios that have an attractive risk and reward balance. Despite a strong bias for diversification, all Harpswell portfolios do carry risks of losses, particularly in times of escalated market volatility. Harpswell does focus on capital preservation yet extraordinary markets can potentially generate material losses.

Our investment decisions and recommendations are based upon our professional judgment. We do not guarantee the results of any of our investment decisions or recommendations, the future performance of your Assets or Accounts, any specific level of performance, the success of any Independent Manager, investment decision, strategy or recommendation made by an Independent Manager, or the overall success of the Account. Past performance is not indicative of future results. Investments in your Account may go up or down in value depending on market conditions.

Alternative investments are designed only for sophisticated investors who are able to bear the economic risk of losing all of their investment. Alternative investments: (1) often engage in leveraging and other speculative investment practices that may increase the risk of investment loss; (2) can be highly illiquid; (3) are not required to provide periodic pricing or valuation information to investors; (4) may involve complex tax structures and delays in distributing important tax information; (5) are not subject to the same regulatory requirements as mutual funds; and (6) often charge high fees.

Current Information

Opinions expressed are current opinions as of the date appearing in this material only. While the data contained herein has been prepared from information that Harpswell Capital Advisors believes to be reliable, Harpswell Capital Advisors does not warrant the accuracy or completeness of such information.

Use of Indices

Market index information shown herein, such as that of the S&P 500 Stock Index, is included to show relative market performance for the periods indicated and not as standards of comparison, since these are unmanaged, broadly based indices which differ in numerous respects from the portfolio composition of the Fund. Market index information was compiled from sources that Harpswell Capital Advisors believes to be reliable. No representation or guarantee is made hereby with respect to the accuracy or completeness of such data.

Index Definitions

The S&P 500 Stock Index is an unmanaged market capitalization index of 500 US equities generally considered to be representative of US stock market activity. The Morgan Stanley Capital International World Index is a market capitalization-weighted equity index of over 1,500 stocks traded in 22 world markets. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ Stock Market. The Index is market value-weighted. The SB World Bond Index is a market capitalization weighted index of 18 Government bond markets composed of sovereign debt denominated in the domestic currency. The Lehman Aggregate Index is a benchmark index made up of the Lehman Brothers. The Hennessee Hedge Fund Indices® are calculated from performance data obtained from publicly available information, internally developed data and other third party sources believed to be reliable. MSCI EAFE is a stock market index that is commonly used as a benchmark for the performance of major international equity markets. The MSCI Emerging Market Index is an index created by Morgan Stanley Capital International (MSCI) that is designed to measure equity market performance in global emerging markets. The Russell 1000 seeks to track the investment results of an index composed of large- and mid-capitalization U.S. equities. The Russell 2000 seeks to track the investment results of an index composed of small-capitalization U.S. equities. The Russell 2500™ Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Barclays Capital Global Aggregate Bond Index is designed to be a broad based measure of the global investment-grade, fixed rate, fixed income corporate markets outside the United States. The Barclays Capital US Gov/Credit bond Index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year.

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