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Prism

2025 Midyear Outlook

A Time for Quality

Investment commentary by the &Partners Investment Team, Fidelity Investments, and RCP Advisors.

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&Partners was founded by a team of experienced executives dedicated to building a wealth management firm where advisors and their clients can thrive.

Our passion for putting advisors and their clients first defines &Partners. It fuels our commitment to exacting service standards, innovative technology, and a robust, flexible investment platform.

The founders of &Partners are leveraging their knowledge and experience to create a firm that is aligned around a singular goal: to change lives for the better by empowering financial advisors to deliver effective advice and planning.

— &Partners Investment Team

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Prism: Our perspective, informed by collaboration

At &Partners, we take a distinctive approach to developing our views. That approach includes testing and refining our forecasts through conversations with market strategists and economists across the industry. These discussions, guided by our investment framework, help to ensure that our recommendations and market commentary offer unique, actionable insights.

Reflecting this collaborative spirit, *Prism* regularly features commentary from one or more of our experienced partners. Spotlighting their perspectives helps provide a well-rounded view of the markets and transparency into the range of views within our network.

We revisit our market outlook regularly to help advisors and clients adjust.

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A Time for Quality

KRISTI MITCHEM
Founding Partner*

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We recommend staying diversified, focusing on fundamentals, and emphasizing high-quality stocks and bonds that offer a degree of downside risk management.

In December, we noted that "all the potential inflection points in the world make the range of potential investment outcomes unusually wide." We did not expect the whole range of outcomes to occur in the first half of the year, but that's effectively what happened. The S&P 500 gained 4.7% through late February amid optimism about economic growth, dropped almost 19% through early April as investors worried tariffs could cause a recession, then recovered more than 20% through mid-June as the Trump administration softened its tone on trade.

These fluctuations reflect investors' profound uncertainty about the direction of federal policies, the economy, and corporate earnings. Investors have struggled to distinguish what the Trump administration says about tariffs from what it really means—a dynamic the media has labeled rhetoric versus reality.

We think the lack of clarity about the administration's true intentions makes it impossible to have strong convictions in either positive or negative outcomes. Rather than latching onto particular narratives around the rhetoric on a given day, we recommend staying diversified, focusing on fundamentals, and emphasizing high-quality stocks and bonds that offer a degree of downside risk management.

*Kristi is not a principal of &Partners and does not participate in the management or supervision of its brokerage and/or investment advisory activities.

Investment Recommendations

We recommend the following approaches as investors prepare for the second half of 2025:

1	2	3
Emphasize quality in equity portfolios	**Explore international stocks and bonds**	**Invest based on your plan, not on headlines**

1. **Emphasize quality in equity portfolios.** We expect the markets' turbulence to continue, considering the degree of uncertainty around trade policy, economic growth, potential Federal Reserve moves, and other factors.

   We believe this environment calls for emphasizing shares of high-quality companies: firms with characteristics such as stable earnings, healthy balance sheets with low debts, and powerful competitive positions that support strong pricing power. These traits can help companies continue to grow earnings amid slowing economic growth and other challenges. In addition, high-quality stocks often pay above-average and growing dividends, which can provide downside risk management and offer tangible proof of the companies' financial strength. These companies also may be able to absorb tariff-related costs and/or pass them on to customers more effectively than their competitors.

   High-quality equities may be more stable than lower-grade stocks during periods of market volatility. This trait can make them a valuable component of a core equity portfolio. It may help moderate a portfolio's returns during down markets, potentially reducing the kinds of emotional reactions that may lead to panicked selling. (For more about managing emotional reactions to downturns, see our Q&A with behavioral economist David Laibson on page 12.)

2. **Explore international stocks and bonds.** Investors need assets that can help diversify away from U.S. equities. We believe international equities may provide that diversification more effectively going forward than they have in recent decades (see our outlook for international equities on page 8). International stocks also have relatively low valuations, and they stand to benefit as foreign countries spend more on defense and infrastructure and reduce regulations.

   We also think this is a good time to hold international sovereign bonds. U.S. Treasuries continue to play a core role in the defensive part of a portfolio, but tariffs and the potential for higher inflation could hinder their ability to offset equity-market downturns. (Our fixed-income outlook on page 10 has more on the relationship between tariffs, inflation, and U.S. bonds' ability to hedge equity risks.) Many sovereign bonds offer attractive fundamentals, and foreign exchange hedging strategies can add to their yields.

   Over the longer term, deglobalization could increase the degree of divergence between economies around the world, potentially making international assets more potent diversifiers.

> Deglobalization could increase the divergence between economies around the world, potentially making international assets more potent diversifiers.

3. **Invest based on your plan, not headlines.** The past six months have shown the pitfalls of investing based on what "everyone" knows to be true.

   Consider two examples:

   1) *The Trump trade.* Coming into 2025, conventional wisdom said that the incoming administration's policies would lead to stronger economic growth, and cyclical sectors like technology and consumer discretionary rallied. Instead, fears about an escalating trade war weighed on growth forecasts and slowed corporate investment. The S&P 500 fell into correction territory, led down by the tech and consumer discretionary sectors.

      Sentiment swung wildly bearish during the worst of the decline. Convinced recession was imminent, many investors flocked to defensive sectors—just in time for tech and consumer discretionary to lead the market above where it began the year.

   2) *Tariffs mean a stronger dollar.* Tariffs were expected to reduce the trade deficit and increase flows into U.S. markets, boosting demand for the dollar. A stronger dollar, the theory held, would weigh on returns of international assets. Instead, the dollar declined about 10% against major foreign currencies through April, as foreign investors shunned U.S. assets—and international stocks surged. (For more on the international stock rally, see our international equities outlook on page 8.)

These are just two recent examples. History is full of instances when headline-driven conventional wisdom was wrong.

Instead of buying into a simplistic narrative, we recommend focusing on fundamentals. A well-constructed and well-diversified portfolio doesn't wager your future on interpreting the news correctly. Emphasizing fundamentals also may help you stay focused on the long term rather than attempting to time the market—which we believe gives you a much better chance to achieve your goals.

A Partner's Perspective

A conversation with **Vadim Zlotnikov**, head of Fidelity Institutional

What is your top recommendation for investment advisors for the second half of 2025?

We recommend incorporating inflation-sensitive building blocks into strategic asset allocations, funding them in ways that maintain diversification. We were advocating building resilience to higher inflation even before tariffs were announced, and tariffs make it even more important. For example, advisors might implement allocations to commodities and/or inflation-protected bonds, funded from U.S. equities and/or cash.

How can advisors prepare portfolios for an unclear outlook?

Advisors may want to consider a wider variety of asset classes to meet the demands of a broader spectrum of potential market outcomes. Diversification with asset classes such as international equities, Treasury Inflation-Protected Securities, managed futures, commodities, hedged global bonds, and short duration bonds can enhance portfolios' risk/return profiles and make them more resilient.

How do you factor tariffs into your thinking?

Tariff policy is changing by the day. In early April, when the administration initially announced its tariff plans, we anticipated an incremental 10% tariff, applied universally. We estimated that policy would reduce annualized economic growth by 1% while increasing annualized inflation by 1%. We use that projection as a starting point, adjusting our expectations based on how policy plays out.

How can advisors help clients through today's volatile markets?

Now is a good time to assess whether clients' portfolios provide the right balance between risk and potential return, liquidity, and tax efficiency, over the time horizons clients need.

Investors' short-term liquidity needs are important. But we're seeing today that short-term volatility can cloud investors' views of the long term. Planning involves recognizing the different investment time horizons associated with clients' goals or liabilities and diversifying accordingly. Advisors who collaborate with clients to balance short- and long-term needs can deliver significant value.

VADIM ZLOTNIKOV

Head of Fidelity Institutional,
Fidelity Investments

In the second half of 2025, do you expect …

- **The world economy to expand or contract?**
  Expand
- **The U.S. economy to expand or contract?**
  Expand
- **Geopolitical risks to increase or decrease?**
  Increase

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Advisors who collaborate with clients to balance short- and long-term needs can deliver significant value.

Please rank the following asset classes by your return expectations for them over the next 12 months, with 1 being highest and 6 lowest.

Our asset allocation framework is now neutral on U.S. equities and is more in favor of international equities. We are neutral to underweight on fixed income but overweight on inflation-sensitive bonds.

Asset class	Rank
International equities	1
U.S. equities	2
Private equities	3
Real estate	4
U.S. fixed income	5
Cash	6

Investment Outlook July – December 2025

&Partners' investment outlook for major asset classes

	Unfavorable	Cautious	Neutral	Somewhat favorable	Favorable
U.S. equities		●			
International equities				●	
Fixed income				●	
Alternatives				●	

U.S. equities: Cautious

The outlook for U.S. equities has weakened since the beginning of the year, in our view. Economic growth forecasts have come down while inflation expectations have risen. Valuations are high, as stock prices have been roughly flat while earnings growth projections have fallen.[1] (For more context, read our economic outlook on page 13.)

Elevated stock valuations can persist if they are substantiated by fundamentals. Although that outcome remains a possibility, we think the deteriorating fundamental outlook may put today's high multiples at risk.

We believe this environment calls for investors to emphasize quality in their equity portfolios, as noted on page 3. High-quality companies often maintain stronger profits than their peers during challenging periods, which can help buoy their share prices. Those that pay dividends typically continue payouts even in challenging times, providing liquidity when it is most needed. And high-quality firms may be able to take advantage of difficult periods to improve their market position against weaker competitors.

Smaller stocks' average valuations look more appealing than large caps', in our view. Smaller companies also may be less affected by tariffs, because they tend to engage in less foreign trade: the members of the small-cap Russell 2000 Index generate 21% of sales from outside the United States, compared with 28% for the S&P 500 and 49% for the Magnificent Seven.[2]

That said, small companies defy generalization, so we prefer to implement them through actively managed, value-oriented strategies. Small caps tend to be more cyclical than large caps, so they may be more exposed to the risk of an economic downturn. And more than 40% of the companies in the small-cap Russell 2000 Index were losing money as of December 2024.[3] Our flagship Core-Satellite Portfolios currently hold slightly overweight allocations to U.S. small caps, implemented selectively with an emphasis on small-cap value.

Tariffs' impact on small companies: A follow-up with RCP Advisors

Last December, we asked RCP Advisors Managing Partner Thomas Danis Jr. to comment on the environment for small buyouts. We followed up with him recently to ask how the shifting economic and market climate has affected small companies in which RCP invests.

Since early April, we have conducted both top-down and bottom-up assessments of the risks tariffs present to companies in our portfolio, including one-on-one conversations with the businesses' managers. The direct impacts on our portfolio appear relatively limited, given that only about 20% of our portfolio companies are in manufacturing and other industries directly affected by tariffs.

We believe the fact that these firms are overwhelmingly small and domestically focused helps mitigate tariff-related risks, especially in cases where their competitors are more exposed to foreign trade. It's important to remember that even in situations where all competitors are affected by tariffs, those with relative advantages can emerge as winners.

THOMAS DANIS JR.
Managing Partner
RCP Advisors

RCP / Advisors

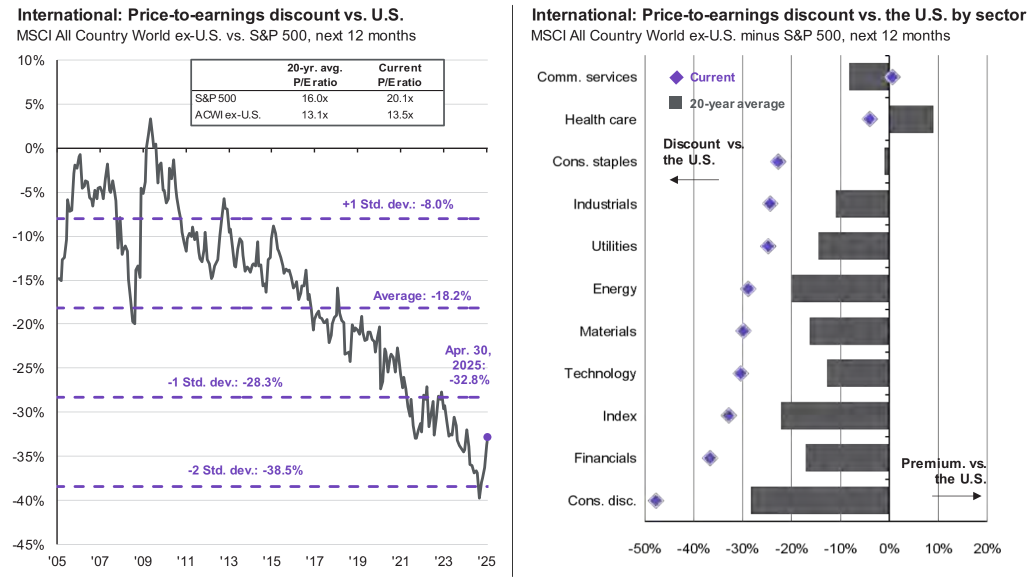
International equities: Somewhat favorable
International equities have outperformed U.S. equities in 2025. The MSCI EAFE Index of developed-market international stocks gained 12.6% year to date through mid-June, powered by especially strong gains from European markets.[4]

Although the rally increased valuations, international equities remain significantly less expensive than U.S. stocks: the MSCI EAFE had a forward price-to-earnings (PE) ratio of 15.3 in May,[5] compared with 21.6 for the S&P 500.[6]

Year-to-date stock performance

Source: FactSet, as of 5/30/2025.

International stocks look cheap compared to the U.S.



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of April 30, 2025.

J.P.Morgan
ASSET MANAGEMENT

Economies outside of the United States are slowing. We believe they may hold up better than the U.S. economy, however, in part because of growing fiscal investment in defense and infrastructure. Meanwhile, international stocks' lower valuations may enable them to absorb bad news and benefit if the economic outlook improves.

What's more, we believe international diversification may prove increasingly valuable in the years ahead. Correlations between international markets have been relatively high since the early 2000s, reducing the benefits of geographic diversification. If international trade and capital flows decline in the coming years, economies may diverge more from each other. We expect those developments to lead to lower correlations between markets, boosting the diversification effect provided by international exposures.

We have a neutral view on emerging markets. The emerging markets universe includes a wide range of countries with disparate outlooks. For example, China has relatively low valuations and a weakening economy, while India has high valuations and a relatively strong economy. We believe the variety available in emerging markets can help provide potentially valuable diversification benefits. Moreover, active managers may be able to capitalize on developments related to shifts in global trade, as the rerouting of supply chains benefits some companies and countries at the expense of others.

We recommend maintaining broad exposure to international equities rather than targeting specific markets. Many individual markets are concentrated in particular sectors, such as manufacturing in Germany, services in France, and basic resources in the U.K. As a result, spreading exposure across countries and regions provides both geographic and sector diversification.

This approach also offers currency diversification amid a highly uncertain outlook for the U.S. dollar. Investors increasingly are questioning the dollar's status as the world's safe haven, but there is no obvious replacement for it—making it hard to predict whether the dollar's slide this year will continue.

International assets generally are denominated in their home currencies; for U.S. investors, foreign investments' price changes and dividends are converted to U.S. dollars. A weaker dollar increases the value of any foreign gains and dividends for U.S. investors. In fact, more than half the MSCI EAFE's year-to-date return stems from foreign currencies' gains against the U.S. dollar.[7]

That said, a weaker dollar is not purely positive for international stocks. It may hurt foreign companies' earnings by reducing demand from the United States, and it can lead to lower profit margins for companies with sales in dollars but costs in foreign currencies. Diversifying among a wide range of foreign assets can help manage this complex landscape by reducing currency moves' impact on your results.

Fixed income: Somewhat favorable

Yields on high-quality fixed income look reasonably attractive. The 10-year U.S. Treasury note's yield has hovered between 4% and 4.8% in 2025, and it recently sat near the middle of that range. Inflation has continued to ease slightly so far this year, putting the 10-year Treasury's real (after-inflation) yield between about 1.6% and 2%, its highest levels since before the 2008 financial crisis.

U.S. bonds' fundamentals have deteriorated, however. Inflation is expected to increase later this year. And if passed, the Trump administration's budget would increase the federal debt $3.8 trillion by 2034, according to the nonpartisan Congressional Budget Office.[8] The potential for growing budget deficits and national debt contributed to Moody's recent downgrade of the United States' credit rating.[9] Meanwhile, tariffs are driving foreign investors to seek safe havens outside of the United States, and large holders, such as China's central bank, may feel a need to diversify their portfolios.

We noted in our December outlook that correlations between stocks and bonds fell in 2024, improving fixed income's ability to diversify against equity risk. We expect stock-bond correlations to stay low, in which case bonds would continue to act as an effective hedge against stock downturns. But we have less conviction in that forecast than we did at the end of 2024.

Bonds' correlation with stocks has fallen

Rolling eight-week correlations, Bloomberg U.S. Aggregate and S&P 500

Source: FactSet and &Partners, 5/10/2025

U.S. bonds' effectiveness at diversifying equity risks may hinge on the outlook for economic growth and inflation. Historically, correlations between stocks and bonds tend to be low when investors' primary concern is growth, higher when investors are more worried about inflation. We think the former scenario is more likely, because economic growth looks likely to slow and tariffs' inflationary impact may be temporary. That said, we believe investors should prepare for the possibility that U.S. bonds may not hedge equities as well as they have in the past.

As we noted in the investment recommendations section, we think international fixed-income markets are especially attractive for U.S. investors. Bonds of other developed countries provide exposure to different yield curves and economies at different stages of their cycles, potentially helping U.S. investors improve their portfolios' diversification. These benefits may be especially potent now, because concerns about the inflationary impact of tariffs may have less impact on foreign bonds than on U.S. fixed income. U.S. tariffs may even bring down inflation in foreign economies, as we explain in the economic outlook section on page 13.

Certain international bond markets offer strong diversification benefits and favorable outlooks. For example, Germany has a debt-to-GDP ratio of 62.5%, compared with 124.2% for the United States,[10] and its bond markets may benefit from declining inflation and potential rate cuts by the European Central Bank. Japan's bond market is another global safe haven. We believe it stands to benefit from low inflation, and its low correlations to other global bond markets can help enhance a portfolio's diversification.

We generally favor hedged international fixed-income strategies. Hedging high-quality international bond positions typically boosts yields for U.S. investors, potentially making the strategies' total yields comparable to those on U.S. Treasury bonds.

Alternatives: Somewhat favorable

We believe alternatives can help investors manage risks and capture opportunities in today's markets. Alternative assets—which include private equity, private credit, infrastructure, and private real estate—tend to rise and fall to different degrees and at different times than public stocks and bonds do, so incorporating them into a diversified portfolio can help smooth its returns.

Allocations to infrastructure and diversified private real estate may be especially useful in today's environment. We favor defensive parts of both sectors. In infrastructure, we recommend emphasizing projects that are close to completion, rather than new projects without contracts in place. In real estate, we prefer segments such as health care facilities and multifamily properties over development of new properties. Investors in multifamily properties may benefit as high mortgage rates and limited housing supplies make buying smaller properties more attractive.

These types of infrastructure and real estate investments tend not to be sensitive to cyclical changes in the economy, and both can help protect against rising inflation. By contrast, the current environment has led to a slowdown in deal-making among private equity and private credit firms. That development may dim the short-term picture for these types of strategies, but it also may present opportunities to add long-term value. &Partners this year has significantly expanded the menu of alternative investment options available to qualified investors.

For more information, read &Partners "The Alternatives Opportunity" (andpartners.com/wp-content/uploads/2025/06/AndPartners_Alternatives_06132025.pdf).

David Laibson's advice for managing emotions in today's markets

Volatile markets can trigger emotions—but investing based on them is usually counterproductive. Harvard economist and leading behavioral finance researcher David Laibson offers dos and don'ts for times like these.

Do: Hold a diversified portfolio that includes international assets

Q. What lessons can investors learn from the market's turbulence this year? How can they avoid counterproductive behaviors?

A. The strong relative performance of foreign equities since the election underscores the benefits of holding a well-diversified portfolio—particularly one that includes international assets. With a long-term financial plan and a diversified investment portfolio, you'll be less tempted to make emotions-based investment decisions.

DAVID LAIBSON

Robert I. Goldman Professor of Economics at Harvard University and leader of Harvard's Foundations of Human Behavior Initiative

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It's hard to convince a profitable day trader that their apparent skill is actually luck and won't repeat itself.

Don't: Believe the day-trading hype

Q. What kinds of counterproductive behaviors are you seeing?

A. Many retail investors have adopted a day-trader mentality—trading high-risk assets like meme stocks, leveraged ETFs, crypto, or 0DTE options (derivatives highly sensitive to the price moves of underlying assets). They are setting themselves up for disappointment.

Volatile markets can create temporarily profitable day traders, who often boast about their success. It's hard to convince a profitable day trader that their apparent skill is actually luck and won't repeat itself. There are many more unprofitable day traders, but we tend to hear less from them.

Economic Outlook
July – December 2025

We build our investment outlook on our expectations for economic growth and inflation. From there, we estimate central banks' short-term rates and real (after-inflation) interest rates, and we develop return expectations for risk assets such as equities and corporate bonds.

The following analysis informs our outlook:

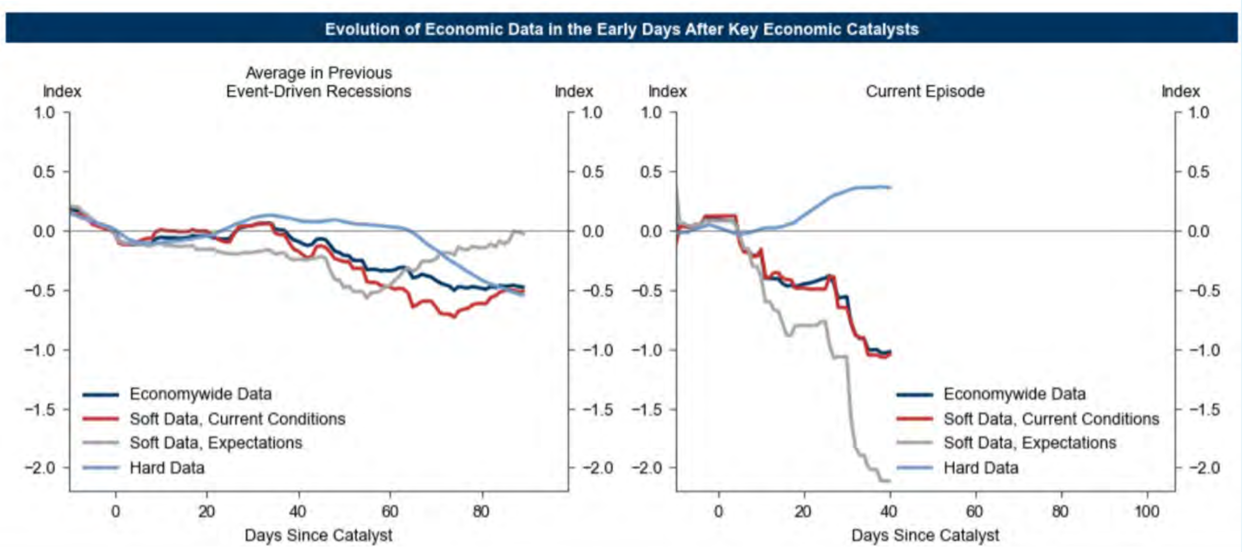
Economic growth
The U.S. economy slowed in the first half of 2025. After growing 2.8% in 2024, U.S. GDP contracted at an annual rate of 0.2% in the first quarter, weighed down by rising imports and cuts in government spending.[11] Economic growth is expected to recover somewhat in the second quarter.[12]

How will the U.S. economy perform in the second half of the year? It's difficult to say. Hard data has held up relatively well: employers added 177,000 jobs in April, beating expectations; the unemployment rate stayed at the historically low level of 4.2%,[13] and wage growth significantly outpaced inflation over the preceding 12 months.[14]

That said, sentiment indicators weakened. For example, the University of Michigan Consumer Expectations Survey dropped almost 30% between January and May, as consumers' expectations for inflation over the next 12 months rose to 7.3%.[15]

Sentiment data often weakens before hard data, in part because pessimism about the economy can lead consumers to spend less. That self-fulfilling prophecy may or may not come to pass. Sentiment improved in late May, and consumer finances remain relatively healthy. Moreover, financial conditions have eased considerably since early April, as the stock market has rebounded and credit spreads have tightened.

Sentiment often sours before the economy softens



Source: Goldman Sachs Global Investment Research, 5/6/2025

> **We believe recession is possible but not the most likely scenario in the second half of 2025.**

Considering all these factors, we believe recession is possible but not the most likely scenario in the second half of 2025. The economy's direction may hinge on the Trump administration's policy decisions. Aggressive tariffs would weigh on growth, but deals that keep trade flowing could help prevent recession.

Longer term, sticking with protectionist trade policies could weaken the United States' economic growth potential. The U.S. has run persistent deficits for many years, and those shortfalls have been funded by foreign investors' purchases of U.S. Treasury bonds. High tariffs and other protectionist measures could reduce foreign purchases of U.S. assets. In that case, either the federal government would have to reduce its budget deficits—which would mean cutting spending, raising taxes, or both—or interest rates would be likely to rise. Either outcome would weaken the outlook for U.S. economic growth.

Growth is slowing in international economies but generally holding up better than in the United States. Real GDP in the eurozone grew 0.3% in the first quarter, while Japan's economy contracted slightly (-0.2%) in the first quarter after a very strong fourth quarter of 2024. As noted above, the retreat from globalization is likely to lead to greater divergence in economic performance between countries and regions.

Inflation

The inflation picture is complex and nuanced. After surging between 2022 and 2024, inflation has come down to historically normal levels. The Consumer Price Index rose 2.3% during the 12 months through April, its smallest year-over-year increase since February 2021.[16]

Tariffs could cause a resurgence in inflation, as businesses face higher costs and pass a portion of them on to customers. Other dynamics in the economy may reduce inflationary pressures, however. For example, concerns about weaker economic growth caused oil prices to drop about 20% between early January and mid-May. Oil is a major input cost, so its decline could help offset some of tariffs' inflationary impact. Likewise, housing prices have moderated;[17] if that trend continues, it could help inflation stay contained. In all, we expect a modest increase in U.S. inflation later this year.

While U.S. tariffs may boost inflation domestically, they could reduce inflation in some other markets. As foreign exporters such as China pivot away from the United States, they may sell more goods into markets such as Europe, resulting in increasing supplies that could bring down prices.

We believe diversification among a broad array of assets, possibly including alternatives such as private real estate and infrastructure, can help prepare portfolios for a wide range of inflation scenarios.

Real interest rates

Real interest rates are the level of interest rates in the economy, typically represented by the yield on the 10-year Treasury bond, minus the most recent 12-month change in inflation. Generally speaking, lower real rates provide an incentive to borrow and to assume investment risk, whereas higher real rates reduce the appeal of borrowing and taking on investment risk.

Real rates have hovered between 1.5% and 2.1% since September 2022—moderate, by historical standards. We are watching this indicator carefully. A pickup in inflation could cause real rates to decline. If the economy weakens meaningfully, the Federal Reserve may feel the need to cut interest rates in the second half of this year, which also could reduce real rates.

The possibility of falling inflation could free central banks such as the European Central Bank and the Bank of England to reduce rates in those markets, potentially bringing down real rates in those economies.

Risk asset valuations

Valuations on U.S. stocks are high. The S&P 500's year-to-date return was slightly positive through mid-June, despite extreme volatility. Meanwhile, more than half of companies providing earnings guidance for their current fiscal year reduced their estimates.[18] The S&P 500's average forward PE ratio was 21.6 as of June 13, higher than historical averages.[19]

Small-cap stocks have more attractive valuations, in our view, but many have low prices for good reasons. As noted above, a large portion of the companies that make up the small-cap market are losing money. We believe selectivity is important when investing in small caps.

Valuations of international stocks also have risen after strong year-to-date gains in most foreign markets. That said, they remain considerably lower than U.S. stock valuations (see the international equities outlook on page 8). We believe international equity valuations are reasonable given the overall economic and profit outlook.

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Valuations on U.S. stocks are high. International stocks' valuations look reasonable given the economic and profit outlook.

&Partners Investment Team

The &Partners Investment Team brings extensive experience, deep market knowledge, and a disciplined approach to managing capital.

In keeping with our mission to bring institutional-quality research, analysis, and strategies to financial advisors and their clients, we make ourselves readily available to &Partners' advisors. Our concierge orientation results in highly personalized investment advice that allows clients to better achieve their financial goals.

*Kristi is not a principal of &Partners and does not participate in the management or supervision of its brokerage and/or investment advisory activities.

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Appendix

Investment framework
The Investment Team at &Partners takes a distinctive approach to developing our views. Our approach includes testing and refining our forecasts through conversations with market strategists and economists across the industry. These discussions, guided by our investment framework, help to ensure that our recommendations and market commentary offer unique, actionable insights.

As illustrated below, we build our investment outlook by:

- Setting our expectations for economic growth and inflation
- Estimating central banks' short-term rates and real interest rates
- Using these insights to develop return expectations for risk assets such as equities and corporate bonds

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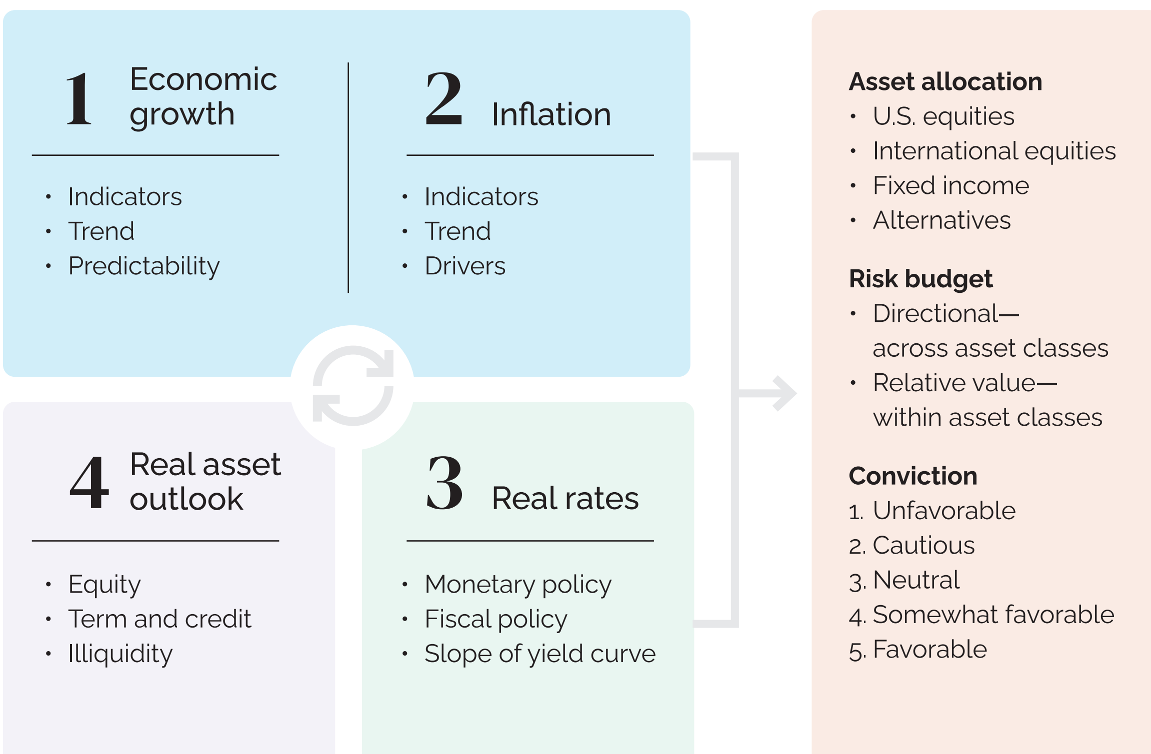
&Partners' investment philosophy framework



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Different types of investments and investment strategies inherently carry different or greater risks than others. With all investments, past performance may not be indicative of future results, and it is possible that you may lose some or all of your investment. Additionally, certain investments may have limited liquidity, or may become illiquid, so you should consider your potential capital and liquidity needs before investing.

The information and opinions herein are point-in-time, as of the date of publication, and are based on certain current assumptions and views that are all subject to change. Before acting on any information in *Prism*, please consult with your financial professional(s) to assure any changes to your portfolio are appropriate for your goals and circumstances at that time.

Investment and portfolio diversification is generally recommended to reduce the overall volatility of a portfolio, but diversification will not assure a gain or prevent a loss (especially in declining markets). Diversification is generally more effective to reduce volatility when a portfolio includes investments that are uncorrelated or negatively correlated with one another from a performance and investment risk standpoint. Historical correlation of investment performance correlation (or lack thereof) is, by its nature, backward-looking and does not guarantee the correlation (or lack thereof) will continue or remain constant.

This material has been prepared on the basis of publicly available information, internally developed data, and other third-party sources believed to be reliable, but neither &Partners nor any of its affiliates guarantee its accuracy. &Partners has not sought to independently verify information taken from public and third-party sources. Charts and graphs provided herein are for illustrative purposes only.

Small-cap, mid-cap, high-yield fixed income, options, international, currencies, commodities, and commodities-based securities (including, but not limited to, commodity-related and/or real estate-related securities) investments will typically have greater volatility and carry other unique risks that may make them more susceptible to loss.

All bonds have risk of default that historically has varied based on the creditworthiness of the issuer. Please consider the historic default risk for any bonds you may be considering for your portfolio before you invest. For municipal securities, you should consult the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website for material event disclosures concerning municipal security investments and issuers you are considering or holding.

When discussing "high-yield" bonds in this article, we are referring to securities where the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

When we refer to "high-quality" bonds in this article, we are referring to securities rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, S&P, and Fitch.

Additional Important Disclosures (continued)

Interest income from most, but not all, municipal securities is exempt from state and/or federal taxation, but in certain situations, tax-exempt income may be subject to the alternative minimum tax. Before investing in municipal securities, consult your tax professional. Similarly, many municipal securities offer lower pretax yields than federal taxable equivalents. As such, we recommend them for investors only where investors are in high tax brackets where the post-tax return is as good or better than the taxable equivalent.

Investments in fixed-income securities, including bonds and municipal securities, are subject to issuer, credit rate, interest rate, liquidity, inflation, prepayment, extension, and other similar risks that will affect the market price of those investments. Bond pricing will generally fluctuate inversely with changes to interest rates, but not all bonds follow the same patterns depending on specific bond terms and other risk considerations.

It is important that you review any prospectus or other offering materials for applicable investments prior to investing.

Indexes are unmanaged and cannot be invested in directly. Index performance does not include fees and expenses an investor would normally incur when investing in a mutual fund. Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

MSCI EAFE (Europe, Australasia, Far East) Index: A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

S&P 500 Index: A free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The stocks included in the S&P 500 are those large publicly held companies that trade on either of the two largest American stock market exchanges: the New York Stock Exchange and the Nasdaq.

CBOE Volatility Index (VIX): An options index that estimates expected stock market volatility by aggregating the weighted prices of S&P 500 Index (SPX) puts and calls over a wide range of strike prices. The VIX is intended to serve as a barometer for market uncertainty, providing a 30-day measure of the expected volatility of the broad U.S. stock market.

Merrill Lynch Option Volatility Estimate (MOVE) Index: An options index that measures the implied volatility of U.S. Treasury options across 2-, 5-, 10-, and 30-year maturities. The MOVE Index is intended to gauge interest rate volatility in the U.S. Treasury market.

U.S. Dollar Index (DYX): A currency index that measures the value of the U.S. dollar relative to a basket of six foreign currencies (euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona).

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell, or hold a security or investment strategy, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Financial professionals should independently evaluate the risks associated with products or services and exercise independent judgment with respect to their clients.

Additional Important Disclosures (continued)

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All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability, or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

Investing involves risk; loss of principal is possible. Investors should be aware that alternative investments are speculative, subject to substantial risks including the risks associated with limited liquidity, the potential use of leverage, potential short sales, and concentrated investments and may involve complex tax structures and investment strategies. Alternative investments may be illiquid, there may be no liquid secondary market or ready purchasers for such securities, they may not be required to provide periodic pricing or valuation information to investors, there may be delays in distributing tax information to investors, they are not subject to the same regulatory requirements as other types of pooled investment vehicles, and they may be subject to high fees and expenses, which will reduce profits.

Endnotes

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