Interim Update

Looking Past Market Noise

Periods of elevated market volatility are normal within an economic cycle, and often represent a market divergence from fundamentals. In such periods, when others may see risk, we see opportunity as markets realign with the economic backdrop.

SUMMARY

- We believe recent volatility, while reflective of real risks, overestimates the likely impact of those risks on the trajectory of economic expansion, particularly in the U.S.
- As the economic cycle continues to progress, we expect investors will refocus on the ongoing economic expansion and reward a mix of sectors with both cyclical and secular earnings growth drivers.

BACKDROP

Volatile markets, mixed fundamentals

Markets have been buffeted by shocks and fears so far in 2022:

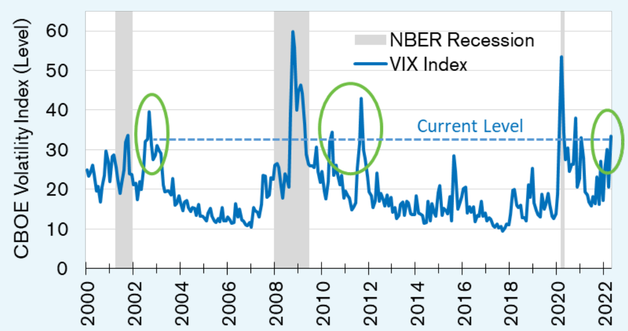
- The Omicron wave led to lockdown fears, initially prevalent in Europe and most recently realized in China.
- Russia's invasion of Ukraine and related sanctions pushed up energy prices, exacerbating already-elevated inflation.
- Interest rates have risen sharply as markets have priced in inflation and an increasing number of Fed rate hikes, which, in turn, has fueled fears the Fed would overshoot in its tightening.

Resulting volatility has been significant, with unusual performance correlations:

- April and Q1 were the worst month and quarter, respectively, for the S&P 500 since early 2020, when COVID-19 first took hold.
- Q1 was only the second time that quarterly returns for *both* U.S. equities and fixed income were negative since the financial crisis of 2008/09 - the other occasion was Q1 2018 after the Trump tax cuts when investors, like today, feared the impact of potential monetary policy tightening.
- Sector returns YTD have been mixed, as inflation fears seemed to benefit the economically-cyclical Energy and Materials sectors, while the defensive Consumer Staples and Utilities sectors, for which inflation and rising interest rates are more typically a headwind, also outperformed.

Beyond the specific drivers of volatility in recent months, overall volatility has been in line with similar periods when the economy shifted to expansion following an initial economic and market recovery, as illustrated by the CBOE Volatility Index (or VIX):

Market volatility is normal entering economic expansion



Sources: CBOE, NBER, WestEnd Advisors

As the economy shifts to slower growth after a rapid recovery, we would expect (and are seeing) mixed economic data:

- U.S. real GDP unexpectedly declined in Q1, as a (we think temporary) decline in real exports and strong imports offset the impact of strength in consumer and business demand.
- The labor market has remained strong, with low jobless claims, low unemployment, and job gains averaging around 500k/mo.
- Real personal consumption expenditures (i.e. net of inflation) grew each month in Q1, following two months of declines, and remains positive year-over-year, despite elevated inflation.

OUTLOOK

Healthy economic expansion despite risks

While economic risks from inflation and monetary policy are real, we do not expect them to spark a recession within our 6-to-18 month investment timeframe:

- Underlying demand trends for consumer spending and business technology investment remain strong, which we believe will support continued economic expansion.

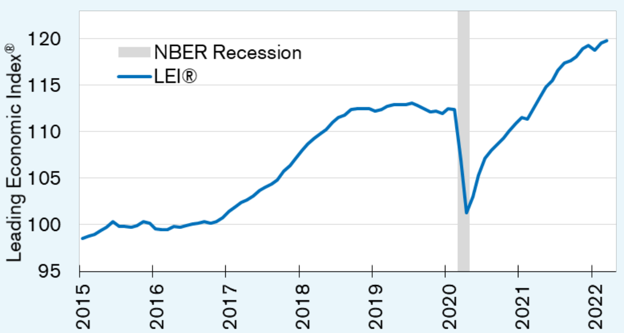
20220506-2189740

- Our analysis of recent inflation drivers suggests that April's deceleration of core PCE inflation should continue, with the potential for inflation to slow to around 4% by year-end.
- We believe a slowdown in both inflation and economic growth could lead the Fed to tighten less this year than markets have feared in recent weeks (note that Federal Reserve Chairman Powell just tamped down expectations for a 75-basis point hike following the FOMC's 50-basis point hike on May 4).

Two broad measures of the economy support our view that healthy expansion remains likely:

- A current measure, the Chicago Fed National Activity Index, has indicated above-trend growth in the first three months of the year, supporting the view that underlying economic growth, excluding volatile trade data, remains healthy.
- The Conference Board's Leading Economic Index® has reaccelerated after a decline in January, and, according to its publisher, suggests roughly 3% GDP growth in 2022:

Leading economic indicators continue to rise



Sources: The Conference Board, NBER, Bloomberg, WestEnd Advisors

Expect market realignment with fundamentals

With our outlook that economic expansion is likely to continue well into 2023, we believe investors will begin to look past the geopolitical and economic fears that have driven recent volatility. The recent outperformance of early-phase and late-phase sectors in tandem is also unsustainable, in our view:

- Utilities and Consumer Staples valuations are in record territory, yet inflation and higher interest rates are headwinds to both earnings and valuations for these sectors.
- Earnings expectations for the Energy and Materials sectors have increased to levels we believe represent an unlikely best-case scenario for commodity prices dependent on geopolitical turmoil.

We see some of the strongest fundamentals in mid-phase sectors like Information Technology and Communication Services that have underperformed amid recent volatility, and in select sectors where we see reliable earnings growth and attractive valuations, like Health Care:

- Information Technology is seeing record spending on hardware and software investment by companies repositioning for post-COVID growth.
- The Communication Services sector should benefit from the continued shift to digital advertising and strength in consumer spending on media and entertainment, in our view, yet it is now trading at a discount to the broad market driven, in part, by recent weak subscriber growth for streaming businesses (which account for only about 5% of sector revenue).
- Health Care sector earnings, excluding positive and negative impacts from COVID-19, are expected to grow at a 10% compound annual rate from 2019 to 2023, yet the sector currently trades at an unusual discount to the broad market.

Conclusion

This economic cycle has seen unprecedented swings in economic growth and policy responses. In this context, investor uncertainty and market volatility are not surprising, but we continue to focus on the economic data and fundamentals we believe ultimately drive markets. We expect our portfolios' sector positioning will benefit from a focus on mid-phase sectors as the year progresses, and we stand ready to adjust our outlook and positioning as warranted by this rapidly evolving cycle.

WestEnd Advisors Investment Team | May 6, 2022

Disclosures: *This report should not be relied upon as investment advice or recommendations, and is not intended to predict the performance of any investment. These opinions may change at any time without prior notice. All investments carry a certain degree of risk including the possible loss of principal, and an investment should be made with an understanding of the risks involved with owning a particular security or asset class. Portfolio characteristics and/or allocations are generally averages and are for illustrative purposes only and do not reflect the investments of an actual portfolio unless otherwise noted. Portfolios that are concentrated in a specific sector or industry may be subject to a higher degree of market risk than a portfolio whose investments are more diversified. While every effort has been made to verify the information contained herein, we make no representation as to its accuracy.*

The Standard and Poor's 500 Stock Index includes approximately 500 stocks and is a common measure of the performance of the overall U.S. stock market. An index is unmanaged and is not available for direct investment.

Holdings, Sector Weightings, and Portfolio Characteristics were current as of the date specified in this presentation. The listing of particular securities should not be considered a recommendation to purchase or sell these securities. While these securities were among WestEnd Advisors' holdings at the time this material was assembled, holdings will change over time. There can be no assurance that the securities remain in the portfolio or that other securities have not been purchased. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities presently in the portfolio. Individual clients' portfolios may vary. Upon request, WestEnd Advisors will provide a list of all recommendations for the prior year. The information contained herein is not intended to be an offer to provide investment advisory services. Such an offer may only be made if accompanied by WestEnd Advisors' SEC Form ADV Part 2.

On December 31, 2021, Victory Capital Holdings, Inc. ("Victory Capital") acquired WestEnd Advisors, LLC ("WestEnd"). WestEnd, an SEC-registered investment adviser, operates as an autonomous Victory Capital Investment Franchise. WestEnd's active principals continue to be responsible for managing the firm and its day-to-day operations.

20220506-2189740