WESTEND
Advisors

A VICTORY CAPITAL® INVESTMENT FRANCHISE

Macroeconomic Highlights

Q1 2023

20230104-2661919

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WestEnd Outlook Highlights

- With the rapid evolution of this economic cycle, deterioration in some data along with the Fed's aggressive monetary policy stance point to later-cycle economic conditions in the U.S., where we see slower economic growth, increasing risk of recession, and higher potential for disappointing earnings growth, particularly for companies in economically sensitive parts of the market.
  - A key variable, in our view, is the Federal Reserve's accelerated path of monetary policy tightening, with the sharpest set of rate hikes in at least a half century, which we believe has increased the risk of recession.
  - Some areas of the global economy remain sound, such as the U.S. labor market and consumption, but we believe the full impact of the Fed's rate hiking cycle has yet to be felt.
  - We believe long-term U.S. interest rates could decline in 2023, as growth and inflation slow.
- Internationally, as global economic growth slows, we see continued risks for Europe tied to the war in Ukraine, and we expect headwinds for economically cyclical emerging markets, while developed Asia is a relative bright spot.
- We have continued to adjust portfolios for ongoing progression of the economic cycle and in view of new risks:
  - In U.S. large-cap equity allocations:
    - We are avoiding early-phase cyclical U.S. sectors in all our strategies. We instead are emphasizing sectors that we expect will see less deceleration in earnings as economic growth slows.
    - We have added to our late-phase, defensive sector exposure, with overweights of Health Care, Consumer Staples, and Utilities.
  - In global portfolios, we remain underweight to international equities, as a whole, including underweights of Europe and emerging markets, but we maintain an overweight of developed Asia, where we see the greatest potential for economic resilience abroad.
  - In balanced portfolios:
    - Seeing reduced risk to fixed income returns, and late economic cycle risks to equities, we maintain an overweight of fixed income in balanced portfolios.
    - Within fixed income allocations, we are emphasizing longer-term securities that should benefit from declining long-term interest rates, and floating rate Treasury securities that carry high and potentially rising yields.

U.S. Equity Sector Allocations

WESTEND ETF STRATEGIES

Current large-cap U.S. equity sector allocation and avoidance*

Sector Allocations

- Health Care
- Consumer Staples
- Utilities
- Information Technology
- Communication Services
- Consumer Discretionary

Sector Avoidance

- Energy
- Financials
- Industrials
- Materials
- Real Estate

* For illustrative purposes only. Allocation information as of December 31, 2022. Source: WestEnd Advisors.

U.S. Economic & Market Backdrop

Slowing Economic Growth Brings Increased Challenges and Risks in 2023

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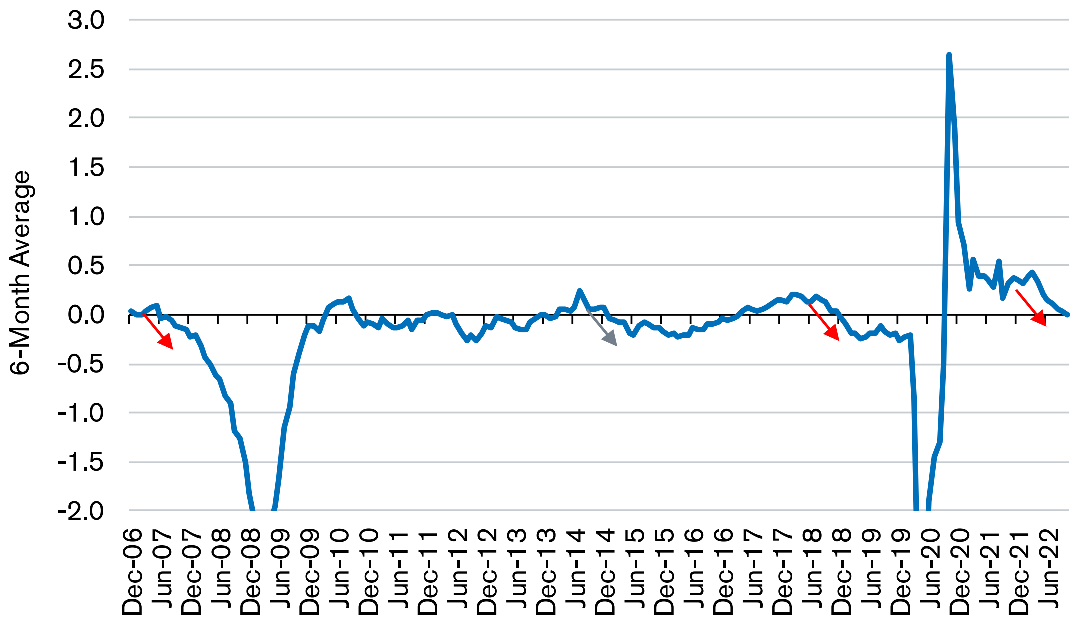
CHICAGO FED NATIONAL ACTIVITY INDEX



Source: Chicago Federal Reserve Bank, WestEnd Advisors

Portfolio Impact: Increased risk of recession in the U.S. warrants an emphasis of defensive sectors like **Health Care, Utilities, and Consumer Staples**, in our view, as well as avoidance of highly cyclical sectors like **Energy, Industrials, and Financials**.

Broad measures of U.S. economic activity like the Chicago National Activity Index weakened in 2022, even as quarterly GDP readings swung from negative in the first half of 2022 to a strong gain in Q3 of last year. **Despite the volatility in quarterly GDP readings, we see late-cycle economic conditions carrying over to 2023.**

We believe there will be additional negative economic fallout in 2023 from the Fed's monetary policy tightening campaign that began last year. Monetary policy challenges together with other fundamental headwinds, including consumers' depleted excess savings, points to slower economic growth, increased risk of recession, and **higher potential for disappointing earnings growth**, particularly for companies in economically sensitive sectors of the economy.

Savings Unlikely to Support Spending Growth Again

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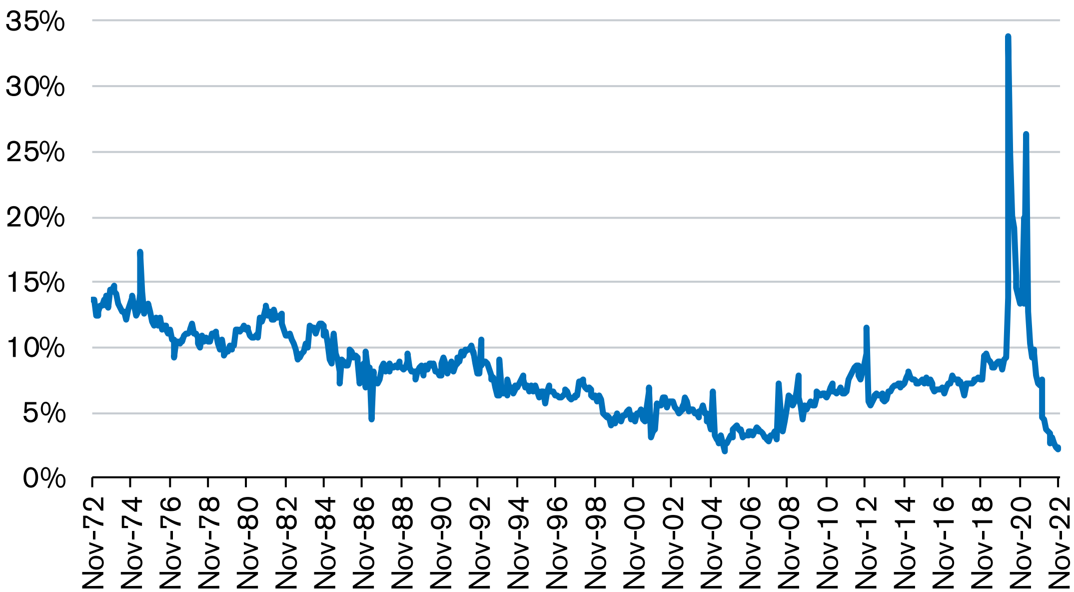
U.S. PERSONAL SAVINGS RATE



Source: Bureau of Economic Analysis, WestEnd Advisors

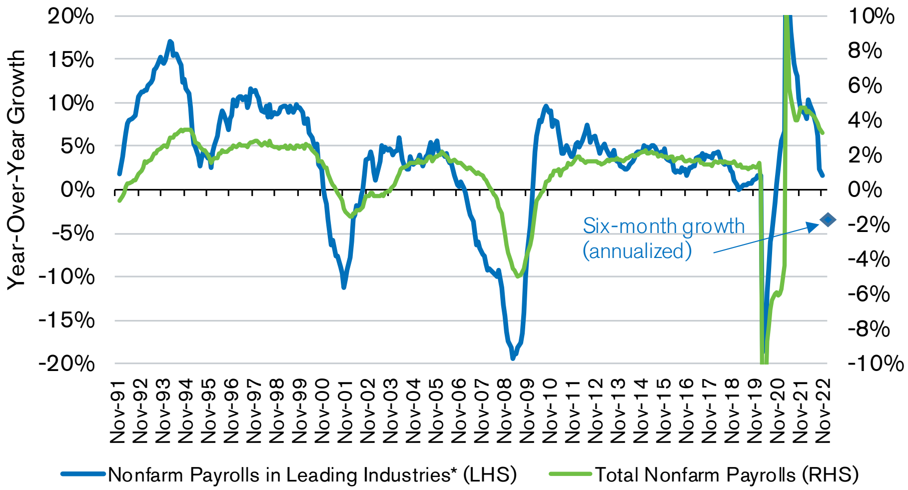
Portfolio Impact: The U.S. consumer is likely to have less spending fuel in 2023 compared to last year. **A more challenged U.S. consumer should contribute to more risks to the U.S. economy in 2023**.

Nominal personal income growth was well above the long-term trend in 2022, but the pace of inflation has been even higher. A **decline in the savings** rate from 7.3% to 2.3% over the 12 months ended November 2022 **accounted for 68% of spending growth over that period**.

With excess savings falling rapidly, we don't see consumers reducing savings rates again in 2023. In fact, the savings rate could rise to more normal levels in the period ahead. The savings rate has averaged 8.3% since 1970 and 6.4% between 1990 and 2019. These conditions point to a likely **material deceleration in consumer spending growth this year**.

Leading Labor Market Data Starting to Deteriorate

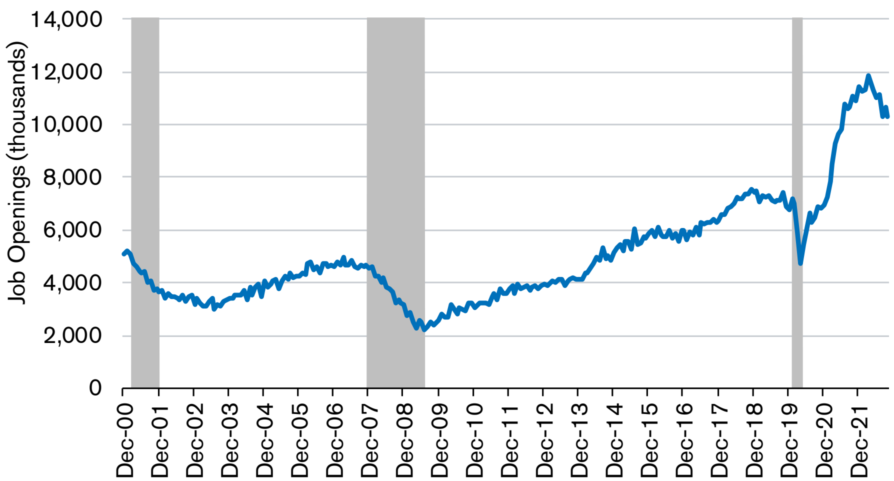
JOB GROWTH RAPIDLY SLOWING IN LEADING INDUSTRIES



*Includes temporary help services, warehousing & storage, nondepository credit intermediation, logging, and professional employer organizations

Source: BLS, WestEnd Advisors

JOB OPENINGS DECLINING FROM ELEVATED LEVELS



Source: BLS, WestEnd Advisors

Portfolio Impact: Job growth remains the major pillar supporting economic growth in the U.S., but the **risks to the labor market have started to increase**, in our view. The trajectory of employment and layoffs is likely to be a key determinant of the U.S. economy's path and whether a recession is avoided in the intermediate term.

While total nonfarm payroll growth – a historically *lagging* indicator – remains strong, signs of incremental softening in the job market have started to show up in the more leading labor market data.

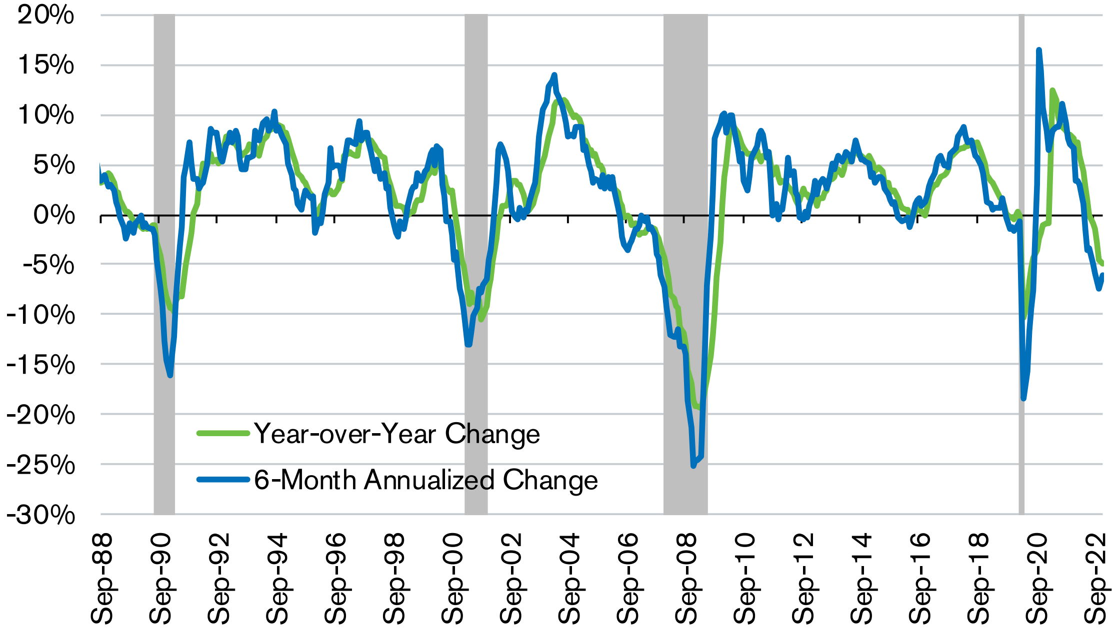
Payroll growth has decelerated sharply among sub-industries that have historically provided leading signals for the overall job market, including temp workers, credit intermediation, and warehousing & storage (top chart).

Furthermore, job openings peaked in Q1 2022 and have since fallen at a -20% annualized pace, a sign that labor demand is starting to cool (bottom chart).

If layoffs increase and **consumers' sense of job security** declines materially, we would see that as a **serious threat to spending and the economy overall**.

Leading Indicators Tracking to Recession Levels

LEADING ECONOMIC INDEX



Source: Conference Board, WestEnd Advisors

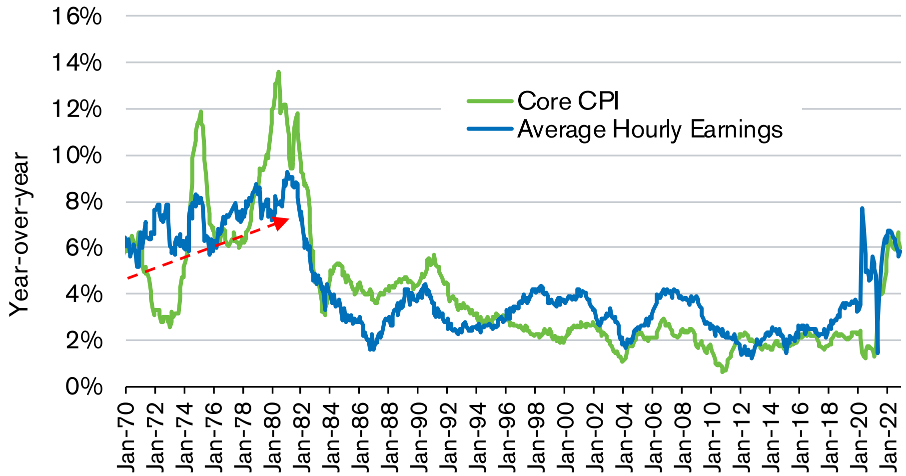
Portfolio Impact: The **deceleration in U.S. growth we anticipated** at the start of 2022 is playing out. We have transitioned portfolios to an **avoidance** of highly economically sensitive U.S. **early-phase sectors, like Materials, Energy, and Industrials**. We have also added to late-phase sector exposure, and, in balanced portfolios, have moved to an **overweight of fixed income**.

After sharp economic recovery spurred by the containment of COVID in U.S., we expected the pace of economic growth would shift lower, but the degree of monetary tightening and the prospect of more headwinds for consumers present challenges to growth, particularly for cyclical sectors of the economy.

Year-over-year growth and 6-month annualized growth for the Leading Economic Index (LEI) have both entered negative territory. The chart above illustrates that 6-month growth in LEI has fallen to a level that historically has coincided with recessions.

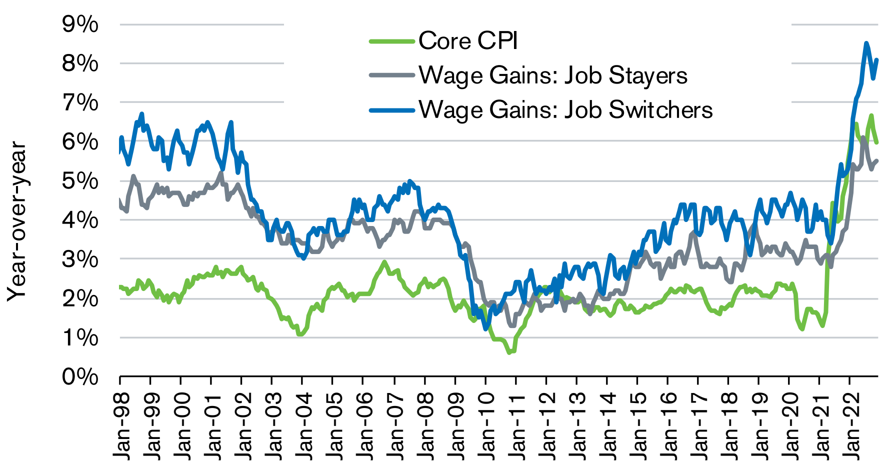
Wages to Shape the Inflation Picture in 2023

WAGE AND CONSUMER INFLATION



Source: Bureau of Labor Statistics, WestEnd Advisors

WAGE GROWTH BY JOB TURNOVER



Source: Bureau of Labor Statistics, Atlanta Fed, WestEnd Advisors

Portfolio Impact: Allocations to Health Care, Utilities, and Information Technology should benefit, in our view, as inflation and growth continue to decelerate, given their **favorable business fundamentals and less cyclical earnings streams.**

Consumer **goods inflation has likely peaked** and could fall relatively quickly in 2023. Consumer **services inflation should take longer to fall** and could ultimately **keep core CPI above the Fed's target well into 2023**.

We anticipate that **labor costs**, which are sticky in nature, will **remain elevated absent a recession**. The top chart highlights the 1970s as a period when wage growth remained high despite swings in CPI. Even with a rising likelihood of falling consumer inflation, wage inflation will become more of a focal point for the Fed.

Today's **labor market, while beginning to cool, remains very tight,** as can be seen by the outsized compensation received for switching jobs (bottom chart). We expect monetary policy will remain tight as the **Fed wants to prevent wage inflation from becoming entrenched**.

Impact of Policy Tightening Yet to be Recognized

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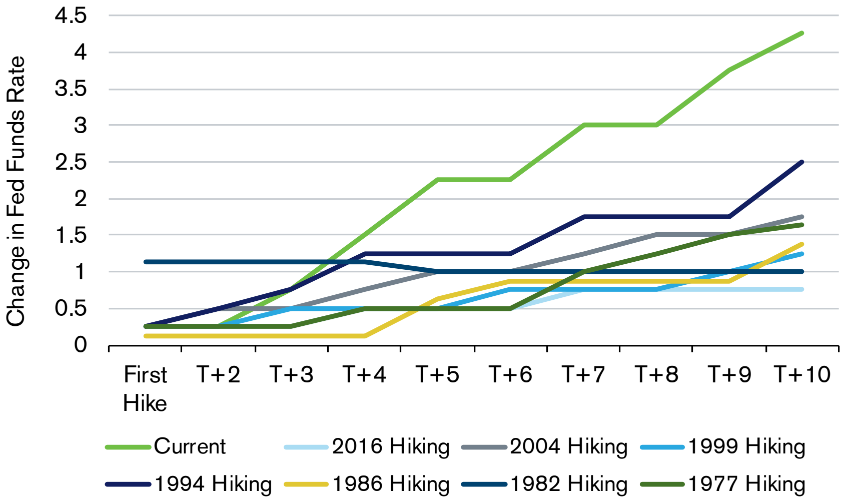
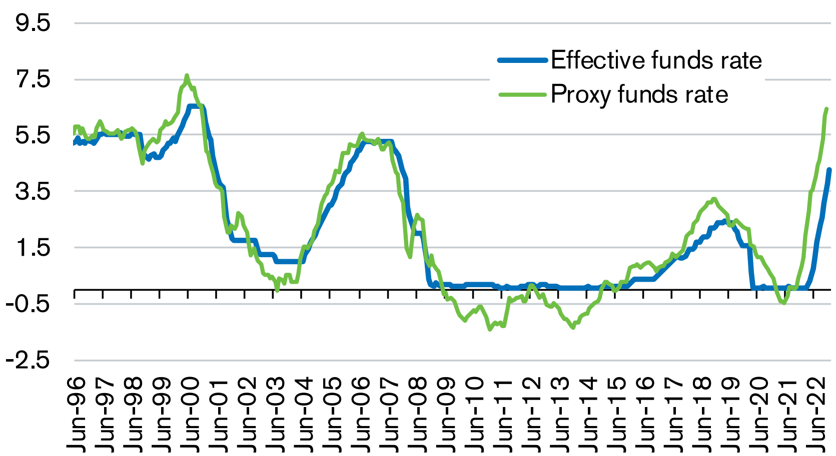
UNPRECEDENTED PACE OF TIGHTENING



Source: WestEnd Advisors, Bloomberg

QT CONTRIBUTING TO POLICY TIGHTENING



Source: San Francisco Fed, Bloomberg, WestEnd Advisors

Portfolio Impact: We believe slowing economic growth, combined with the Fed's commitment to keeping rates elevated, warrants defensive positioning across our portfolios, given that the **economy has yet to absorb the full impact of monetary tightening.**

The **Fed's aggressive monetary tightening has heightened risks** that the economy advances faster towards recession, in our view (see top chart).

Historically, a rise in the Fed Funds rate has had a negative impact on real GDP growth, albeit with a lagged impact (research suggests that a +100 bps Fed Funds rate shock has resulted in a ≈ -1.5% hit to GDP over ≈18 months).

In fact, the bottom chart illustrates that the overall **effect of monetary tightening on financial conditions has been even greater than the Federal Funds rate suggests,** given quantitative tightening and the speed and magnitude of this hiking cycle.

"Mild" Recession Would Be Unusual

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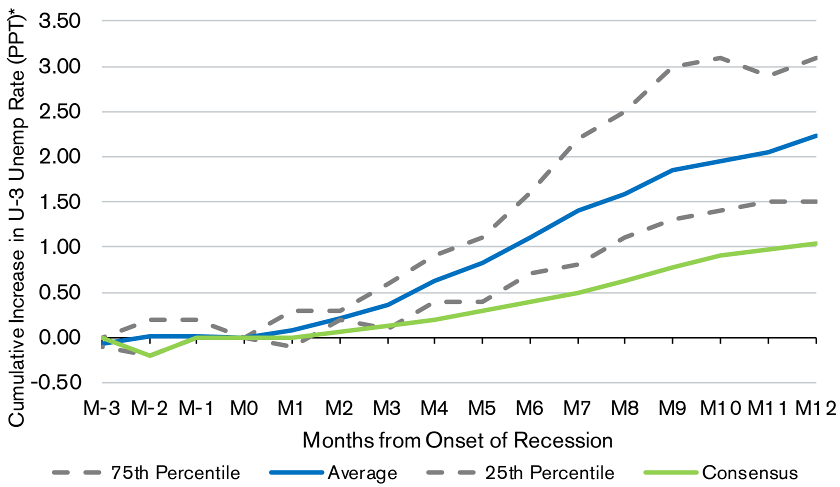
UNEMPLOYMENT RATE DURING RECESSIONS



*Includes post-WWII recessions, excluding Covid-19 pandemic

Source: BLS, WestEnd Advisors

Trailing 12M EPS Declines During Recessions

Date of Recession Start	Date of Recession End	Earnings Decline (Peak-to-Trough)	S&P 500 Return (Peak-to-Trough)
Feb-20	Apr-20	-20.1%	-20.0%
Dec-07	Jun-09	-49.2%	-52.6%
Mar-01	Nov-01	-30.4%	-46.3%
Jul-90	Mar-91	-38.8%	-15.8%
Jul-81	Nov-82	-18.2%	-23.8%
Jan-80	Jul-80	-4.4%	-10.6%
Nov-73	Mar-75	-17.5%	-46.2%
Dec-69	Nov-70	-15.9%	-32.9%
Apr-60	Feb-61	-14.6%	-11.8%
Aug-57	Apr-58	-23.4%	-19.0%
	Average	**-23.3%**	**-27.9%**
2023 CY Consensus Estimate		5.3%	TBD

Sources: Bloomberg, WestEnd Advisors

Portfolio Impact: We see a growing risk that economic growth could surprise to the downside, which we believe warrants an **avoidance of U.S. cyclical early-phase sectors, emerging market regions, and high-yield bonds.**

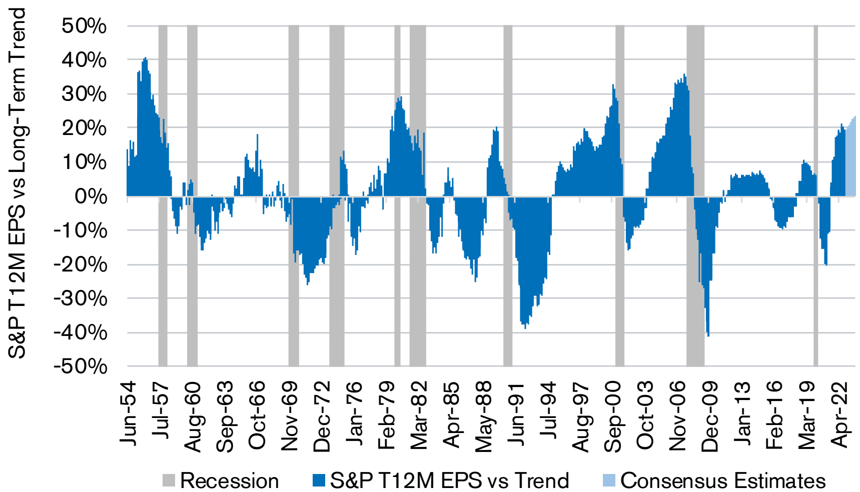
The **overwhelming consensus among U.S. economists is that a *mild* recession** will hit in 2023, but that excess savings and strong labor demand will limit the pain. We agree that there is an elevated risk of a contraction, but we believe **the economic fallout could be *average*. We also don't see the conditions for a severe recession.**

The top chart shows economists' consensus forecast for the unemployment rate in 2023, which remains below even the low-end of the average recessionary trajectory.

In the event of a recession, we see **potential for earnings declines** relative to the mid-single-digit growth analysts are currently expecting (bottom chart). Waning savings, rising layoffs, slowing goods demand, tight financial conditions, and disinflationary revenue trends all have the potential to weigh on profit growth in 2023.

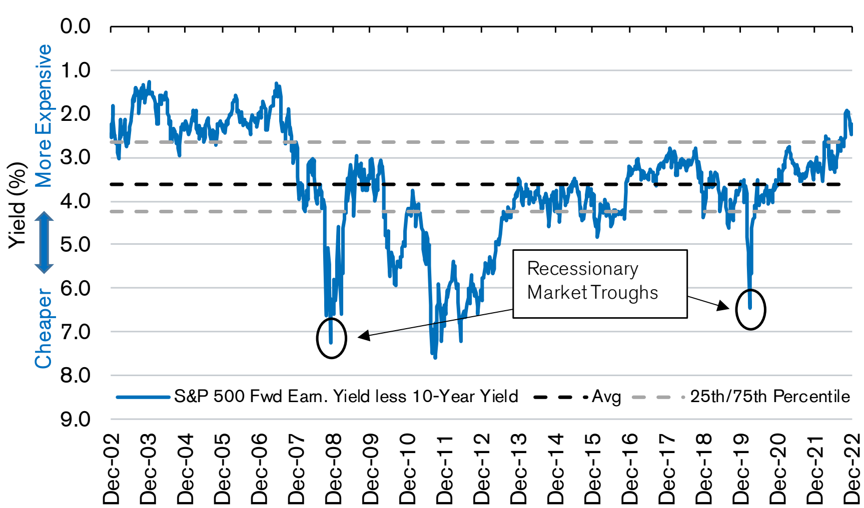
S&P 500 Return Drivers Limited From Here

S&P 500 EARNINGS WELL ABOVE LONG-TERM TREND



Source: WestEnd Advisors

RATE-ADJUSTED VALUATIONS REMAIN UNCOMPELLING



Source: WestEnd Advisors

Portfolio Impact: Earnings estimates appear increasingly optimistic, and **rate-adjusted valuations suggest equities are expensive**. As such, we are avoiding the most cyclical parts of the market, **while favoring sectors with more resilient earnings power**, such as Utilities and Consumer Staples. We maintain an **underweight to equities** in balanced portfolios.

Against the backdrop of and a rapidly maturing economic cycle, we see **limited upside potential for the drivers of equity returns – earnings growth and valuations.**

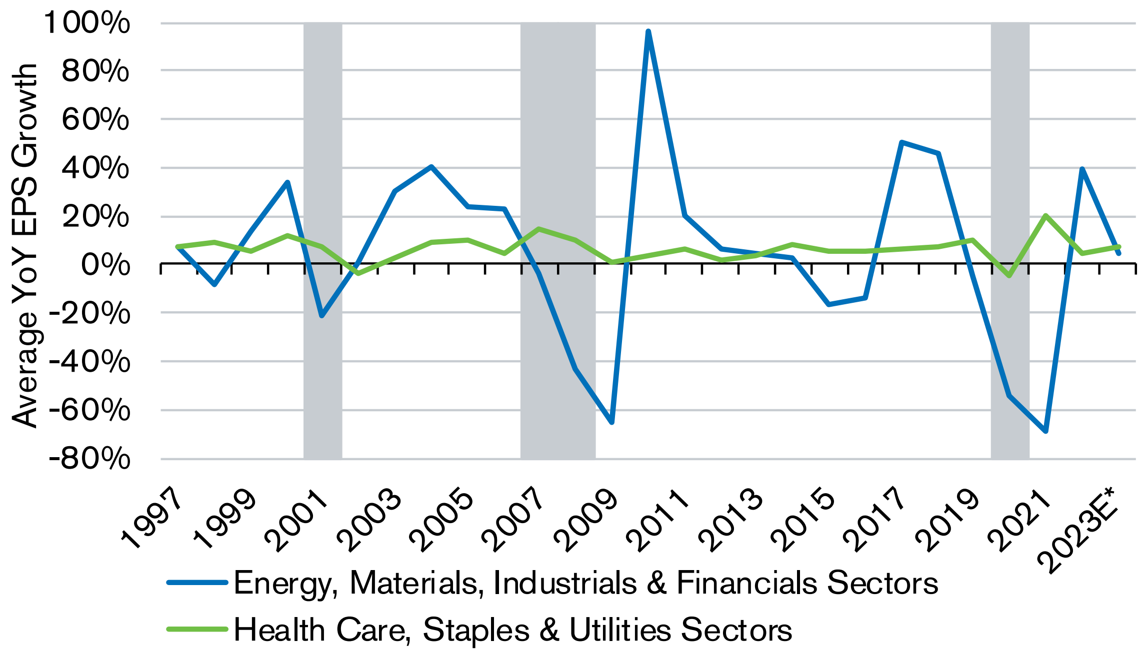
S&P 500 profits have rebounded swiftly since the depths of the pandemic. Consensus estimates are calling for another year of solid earnings growth in 2023 (~5% year-over-year). If achieved, **this would put S&P 500 EPS over 20% above its long-term trend, near the high-end of the historical range**.

Despite the equity market volatility, **interest rate-adjusted valuations became *more* expensive in 2022** (bottom chart), and were in the 86th percentile of expensiveness relative to the past two decades.

U.S. Sector Outlook

Late-Phase Sectors Provide Steady Earnings

EARNINGS GROWTH BY SECTOR



Source: Bloomberg, WestEnd Advisors

*Consensus estimates for 2023 sector EPS.

Portfolio Impact: We believe exposure to defensive areas of the market – such as Health Care, Consumer Staples, and Utilities – is warranted. **Consistent and above-market profitability** makes these sectors more attractive than economically-sensitive sectors at this stage of the cycle, in our view.

We see the financial stability of Health Care, Consumer Staples, and Utilities as desirable, particularly as **the economic cycle matures and the risk of a slowdown in economic growth increases**.

Defensive, **late-phase sectors have consistently generated consistent EPS growth over time**. Alternatively, **economically-sensitive sectors** like Energy, Materials, Industrials, and Financials **have much more cyclical earnings**, as illustrated in the chart above.

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Health Care Sector Delivers Steady Earnings Growth

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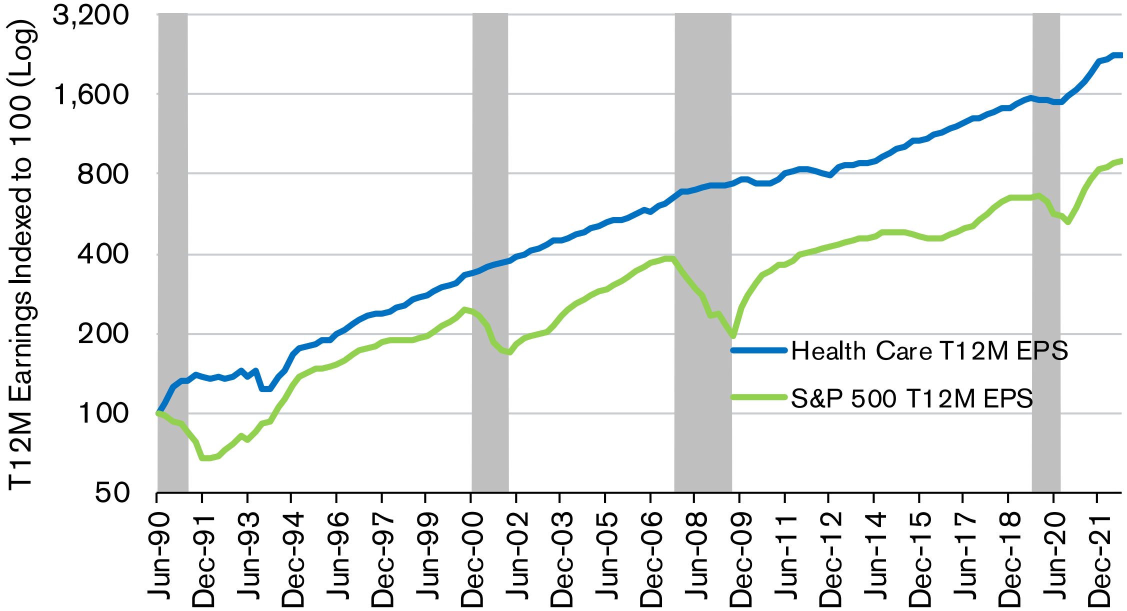
STEADY HEALTH CARE EARNINGS, EVEN IN RECESSIONS



Shaded = recession.

Source: WestEnd Advisors, Bloomberg

Portfolio Impact: We believe **Health Care sector** exposure **provides attractive defensive characteristics** with insulation from cyclical risks, but is also **well positioned if the cycle extends.**

The **Health Care sector's strong earnings andlack of cyclicality offer an attractive combination**, in our view, as the pace of economic growth slows in the U.S. We see the sector as positioned well for 2023 as **more elective procedures and higher volumes** overall benefit both health care providers and medical device makers. We also see a **healthy investment cycle** as a further tailwind to the sector coming from pharmaceutical and biotechnology companies resuming projects previously put on hold due to the Covid-19 pandemic.

Mid-Phase Sectors Have a Mix of Economically Sensitive and Non-economically Sensitive Revenue

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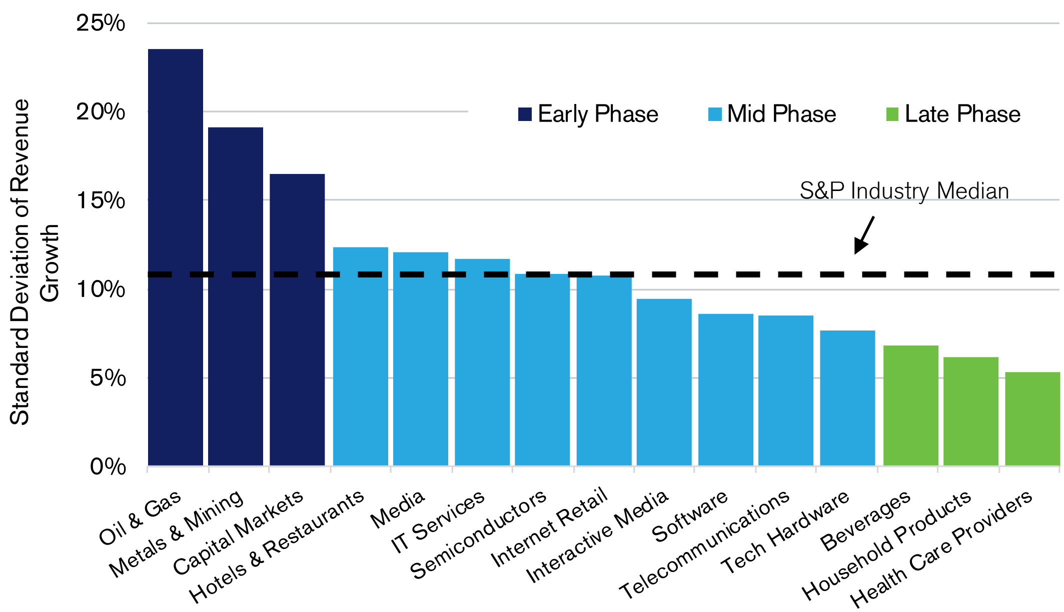
SELECT INDUSTRY REVENUE VOLATILITY



Source: WestEnd Advisors

Portfolio Impact: As economic growth continues to slow, **we believe Information Technology and Communication Services will see less revenue and earnings growth deceleration than other economically sensitive areas of the market** due to strong secular growth trends benefitting these sectors. As a result, we continue to **maintain allocations to Information Technology and Communication Services**, which we currently see at attractive valuations.

The chart above highlights that the revenue variability of companies in early-phase sectors is typically much greater than those in late-phase sectors. For example, Oil & Gas industry revenue growth is nearly 5 times as volatile as Health Care Providers industry revenue growth. **Mid-phase sectors tend to have less cyclical revenue exposure than early-phase sectors**, but more sensitivity to economic growth than late-phase sectors. We see the lower revenue volatility and more secular-oriented growth profiles for these mid-phase sectors as attractive versus early-phase sectors at this stage in the cycle.

Businesses and consumers have increasingly embraced digital platforms in recent years, and **business investment spending on information processing equipment and software rose to an all-time high last year**, a trend which we expect to continue as **businesses look for ways to increase efficiency and margins in a slower growth environment.**

Expect a Deterioration in Energy Sector Fundamentals

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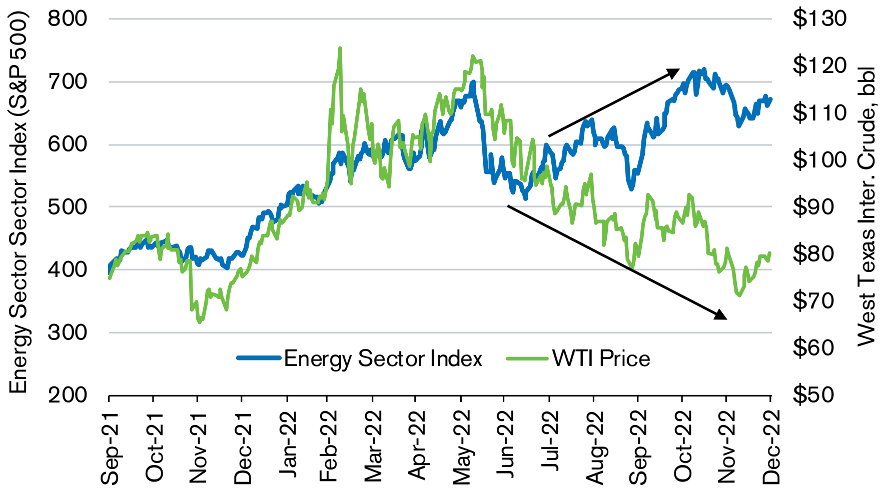
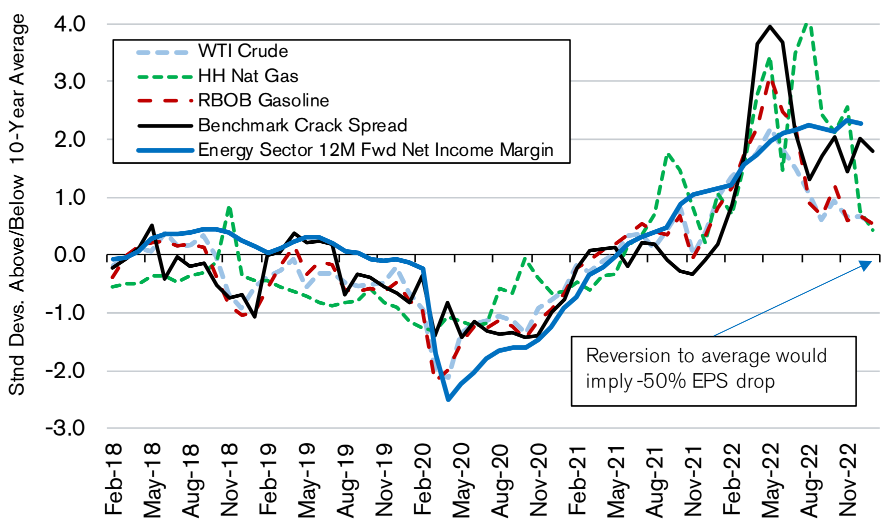
ENERGY SECTOR INDEX VS. CRUDE OIL PRICE



Source: WestEnd Advisors, Bloomberg

ENERGY SECTOR MARGINS LIKELY PEAKED IN 2022



Source: WestEnd Advisors

Portfolio Impact: We continue to **avoid U.S. Energy sector exposure** in portfolios as we believe the prospect of slower growth in the U.S. and abroad, coupled with the **potential for significant margin compression**, increases the likelihood of a deterioration in the earnings outlook for the sector.

The global energy commodity complex has moved lower since mid-2022 on the back of sluggish demand and a stabilizing inventory backdrop. Still, the U.S. Energy sector has continued to outperform.

The top chart shows that the price of crude oil (WTI) has diverged from the S&P 500 Energy sector, which presents a risk for the earnings power of Energy stocks. Historically, Energy's relative performance has peaked alongside oil prices.

Margin expansion was a key driver of Energy companies' post-pandemic earnings rebound, due in part to **surging natural gas prices and above-average crack spreads**. More recently, these trends **have started to reverse** (bottom chart). As global growth slows, we expect these markets to continue to normalize, which could put further downward pressure on Energy Sector margins.

Financials Earnings Vulnerable to Cyclical Forces

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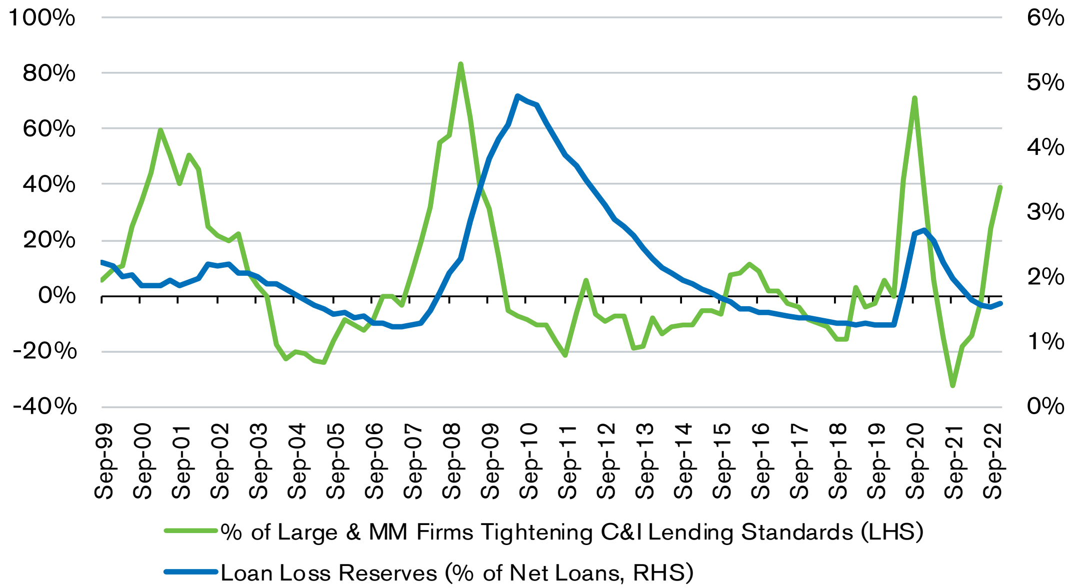
LOAN LOSS RESERVES SET TO RISE



Source: Federal Reserve, Company 10-Qs, WestEnd Advisors

Loan loss reserves for JPM, BAC, WFC, C and PNC

Portfolio Impact: We **eliminated U.S. Financials sector exposure** in portfolios as we believe the prospect of slower loan growth in the U.S. and the building of loan loss reserves increases the likelihood of a deterioration in the earnings outlook for the sector.

Responses to the Senior Loan Officer Survey indicate that **lending standards will begin to tighten. However, reserves for loan losses are still only slightly above prior cyclical lows.** As lending standards tighten, loan growth should slow which removes a tailwind for bank earnings

Further, as the economy enters the latter stages of the economic cycle, we **expect banks to build reserves for loan losses** as they have done in the past. This **reserve build is a drag to bank earnings**, which are a substantial driver of the Financials sector's overall expected earnings growth in 2023. While our base case does not imply that defaults to reach levels seen in the GFC, we believe the market is underappreciating the impact of this cyclical dynamic on the sector.

International Economic & Market Backdrop

Emphasizing Resilient Parts of Developed Markets

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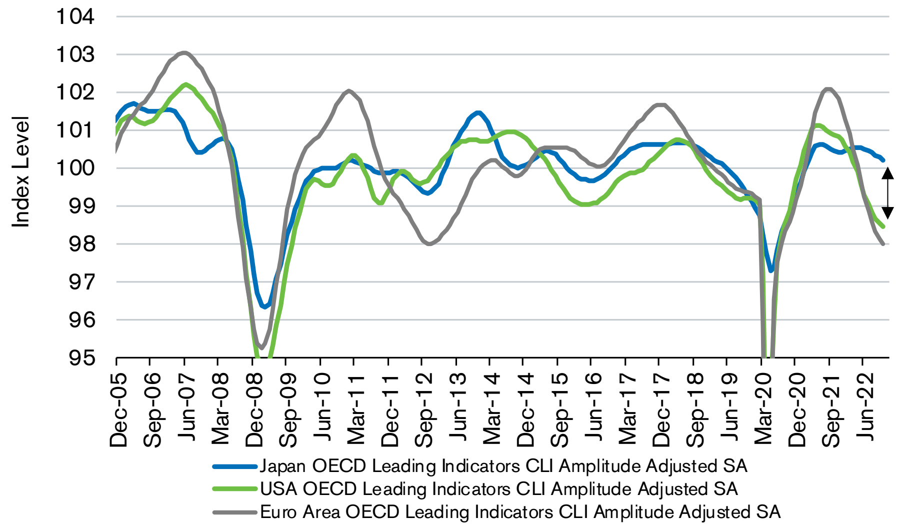
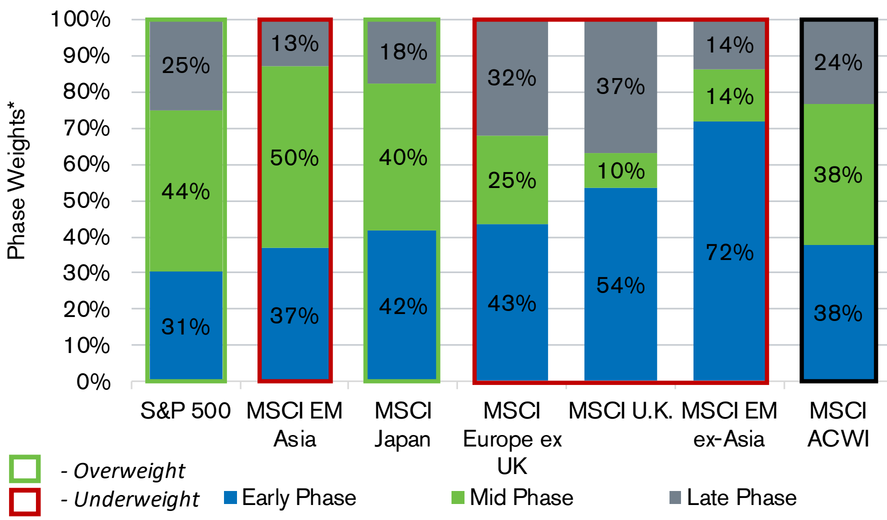
OECD COMPOSITE LEADING INDICATORS



Source: Conference Board, WestEnd Advisors

U/W AREAS WITH SIGNIFICANT EARLY PHASE EXPOSURE



*As of 11/30/22 Source: WestEnd Advisors

Portfolio Impact: An **overweight allocation to Japan** is warranted, in our view, given that its economy faces **fewer economic headwinds from inflation and monetary policy tightening.** In the event of a global recession, we would expect Japanese equities to generate stronger sales and earnings growth than Europe and EM.

In a maturing global cycle, it is important to **emphasize regions that can generate resilient earnings growth in the face of rising global economic risks**, in our view.

Leading indicators suggest the **risk of recession is elevated in Europe** (see top chart). The region faces several headwinds, including surging costs, monetary and fiscal tightening, and a smaller savings cushion relative to other developed countries. **Downturn risks appear more subdued in Japan**, where economic output is below potential and stimulative monetary and fiscal policies remain in place.

Japan also has less early-phase exposure relative to Europe and EM (see bottom chart).

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Global Demand Headwinds to Persist in EM

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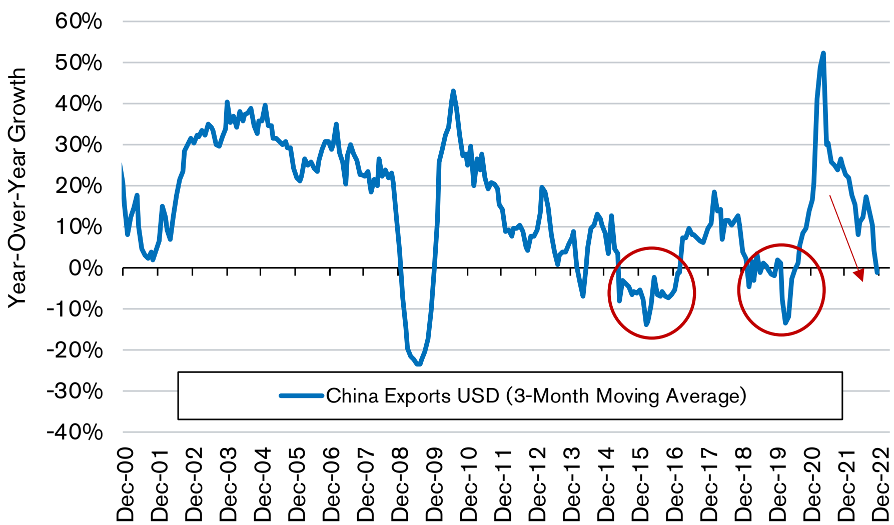
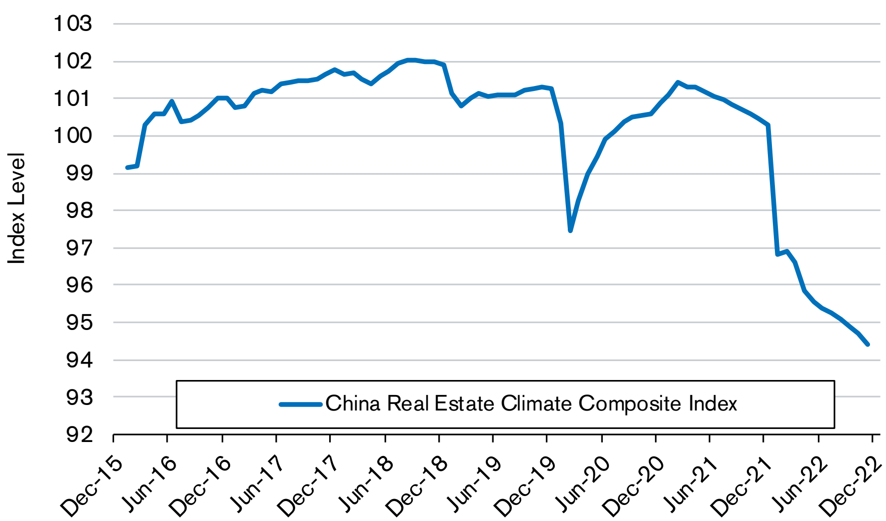
CHINA EXPORT GROWTH



Source: NBSC

CHINA REAL ESTATE CLIMATE INDEX



Source: NBSC

Portfolio Impact: As the global economic cycle enters the later stages, we remain **underweight Emerging Markets (EM)** in global portfolios. We see subdued near-term return potential for EM, given its dependence on global goods demand and heightened uncertainty around China's rapid exit from its zero-Covid policies.

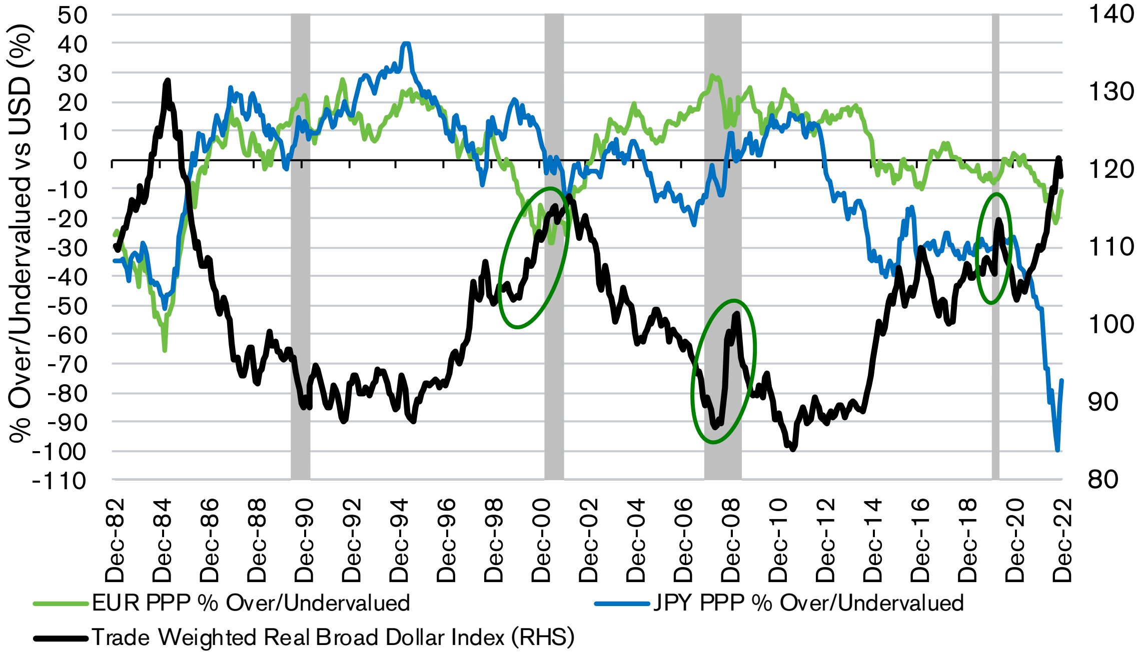
The trajectory of the global cycle is likely to be determined by growth in the U.S. and E.U., which account for ~40% of global GDP. Slowing demand for goods in these regions should continue to weigh on production and export growth in EM countries, including China. **During periods of slowing global demand in the last cycle, China's export growth remained sluggish for up to two years (see top chart)**.

While real GDP growth in China is likely to accelerate following the removal of Covid-19 restrictions, we believe **any rebound could prove bumpy until the population achieves herd immunity** and the property market begins to stabilize (see bottom chart).

Broad-based regulatory changes and the PBOC's unwillingness to stimulate via another major credit cycle may limit the upside potential for the Chinese economy, and by extension, the potential for multiple expansion for Chinese equities.

US Dollar Modestly Overvalued, But Could Rise in Recession

US DOLLAR TENDS TO RISE DURING RECESSIONS



Source: WestEnd Advisors

Portfolio Impact: We believe the **potential for further USD upside is limited,** as markets have priced in widening interest rate and inflation differentials. That said, recessionary periods are typically associated with US Dollar strength, and the **Japanese Yen could also see material upside if global growth deteriorates**.

The U.S. Dollar Index surged ~8% in 2022, the most since 2015, due to the Fed's rapid tightening cycle as well as concerns about global economic growth. A rising USD is beneficial for domestic investors and net importers, but it can be a headwind to the earnings of U.S. based-firms that do business abroad. Additionally, depreciating foreign currencies weigh on dollar-denominated returns for those investing overseas.

Looking ahead, we do not expect the USD to repeat its strong performance from 2022. The purchasing power parity framework implies the **USD is modestly overvalued vs European currencies** and **significantly overvalued vs the Japanese Yen**, which depreciated sharply in 2022 due to interest rate differentials and capital outflows.

That said, **recessionary periods have often resulted in USD appreciation** as investors seek safe-haven assets, which could repeat if the global economic backdrop deteriorates significantly.

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Interest Rates & Inflation

Compelling Fixed Income Return Potential After Dismal Year

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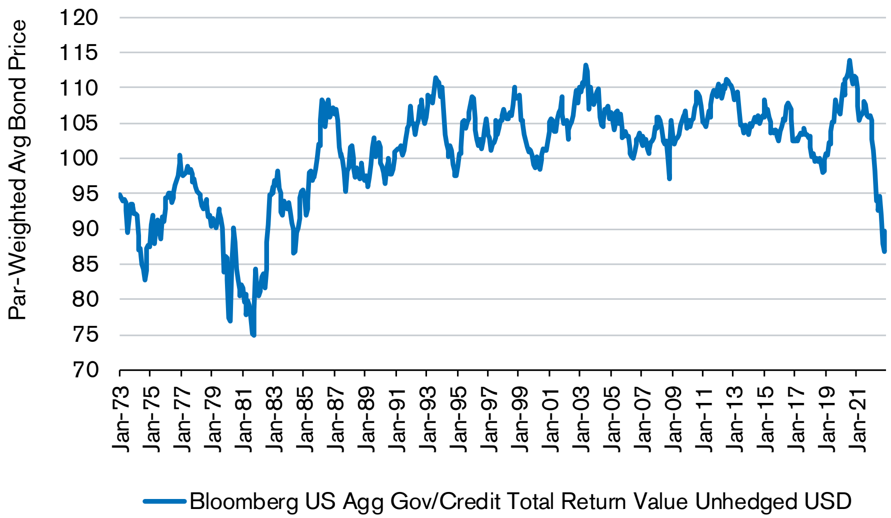
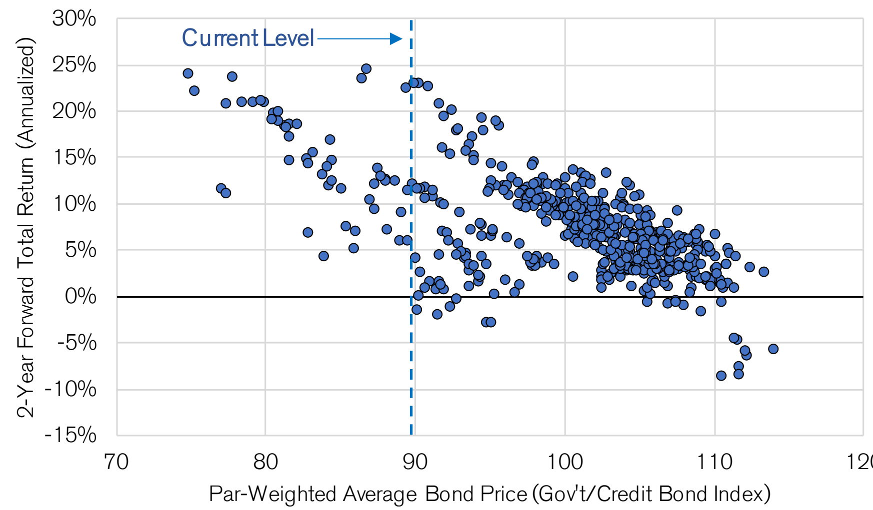
BOND PRICES HAVE FALLEN TO GENERATIONAL LOWS…



Source: WestEnd Advisors

…MAKING POTENTIAL FORWARD RETURNS MORE ATTRACTIVE



Source: WestEnd Advisors

Portfolio Impact: Coming off the worst annual performance for U.S. bonds in over four decades, we believe the prospects for **fixed income returns will improve moving forward** as disinflation takes hold and economic growth decelerates. At the same time, earnings headwinds could pose further risks to equity markets in 2023. As a result, in balanced portfolios, we have maintained an **underweight allocation to equities and an overweight allocation to fixed income**.

The surge in interest rates in 2022, coupled with rising credit spreads, led to the worst annual performance for bonds since at least the early 1970s.

The top chart shows that the par-weighted average bond price for the U.S. Government/Credit Bond Index has plunged to the lowest level since the early 1980's.

Historically, average **bond prices at-or-below these levels have been consistent with above-average fixed income returns** over the subsequent two years (see bottom chart).

Recessions Create Opportunities Within Fixed Income

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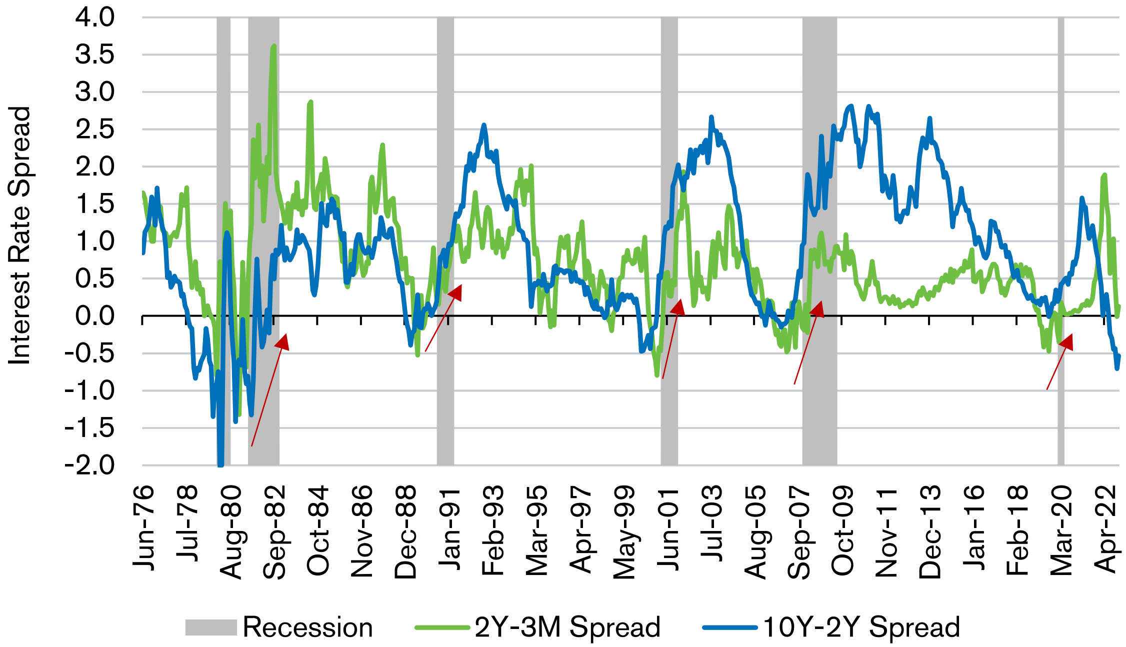
RE-STEEPENINGS SIGNAL ONSET OF RECESSIONS, NOT INVERSIONS



Source: WestEnd Advisors

Portfolio Impact: As the Federal Reserve remains firmly committed to reducing inflation, **we see a growing risk of an economic recession**. As such, in balanced portfolios, we have reduced our overweight of corporate credit and initiated a position in floating-rate Treasury notes. We have also **added to our defensive long-duration Treasury exposure**, which we believe will outperform if growth and inflation surprise to the downside.

Many leading economic indicators suggest that the risk of a recession is elevated in the next 12 months, though the exact timing of its onset is uncertain. As shown in the chart above, yield curve re-steepenings, not inversions, typically indicate a recession is imminent. We see several opportunities to position accordingly within fixed income:

- **Long-duration Treasury bonds** have historically outperformed significantly during recessionary periods, and the risk of a sustained inflationary spiral has diminished, in our view.
- **Treasury floating rate notes** are an attractive defensive allocation, in our view, as the Federal Reserve continues to raise policy rates in order to control inflation. Floating rate securities are insulated from duration risk.
- **Intermediate-and-long duration corporate bonds** are yielding over 150 bps more than the equivalent-maturity Treasury securities, and are also likely higher quality than short-duration and high-yield credit.

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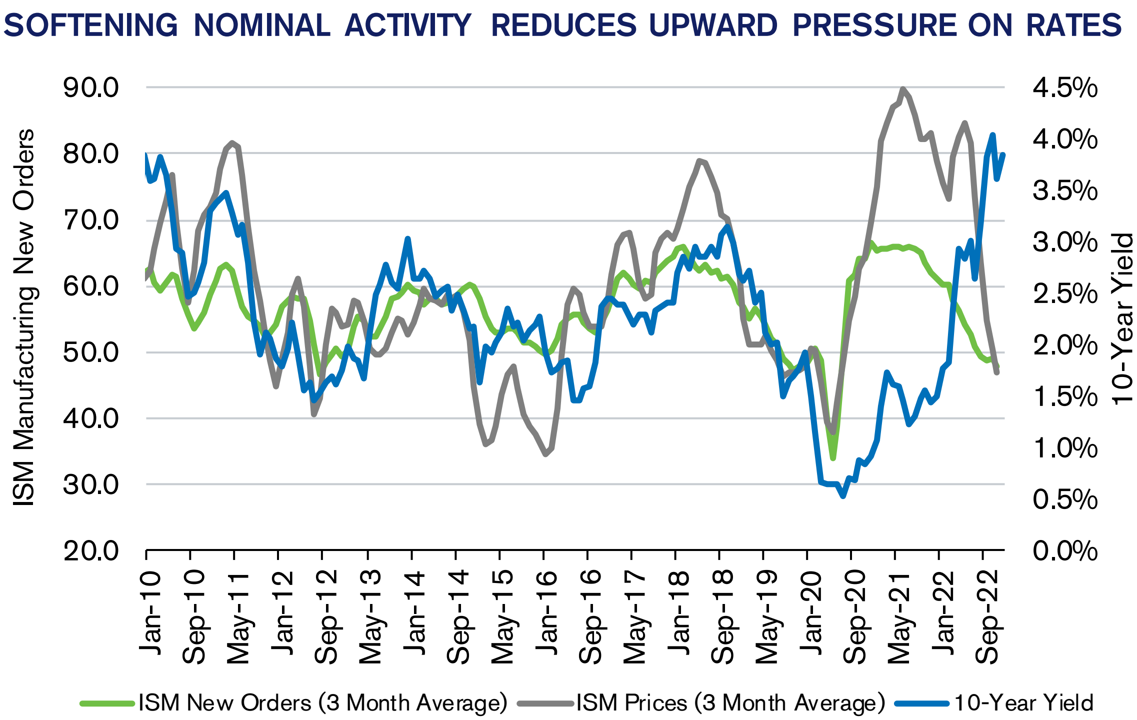
Peak in Interest Rates May Be Approaching



Source: Institute for Supply Management, WestEnd Advisors

Portfolio Impact: Given the largest annual interest rate increases in six decades and a growing likelihood that the peak in long-term interest rates could be approaching, we believe **the duration risk to the fixed income market has diminished**. As such, we maintain an overweight of long duration bonds in balanced portfolios.

Acute inflationary pressures and a rapid pull-forward in the Federal Reserve's tightening timeline **caused interest rates across the curve to surge higher in 2022 by the most in at least 60 years**. Looking ahead, we believe the upward pressure on longer-term interest rates is likely to diminish as economic growth slows and inflation pressures begin to moderate.

As shown in the chart above, **longer-term interest rates tend to move lower during periods when leading economic indicators, such as the ISM Manufacturing New Orders Index, signal declines in real economic activity**. More recently, the ISM Prices sub-component, a leading indicator of headline inflation, has moved sharply lower as well.

Footnotes & Disclosures

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. Registration of an investment adviser does not imply any level of skill or training. WestEnd manages equity securities for individuals and institutional clients.

This report should not be relied upon as investment advice or recommendations, and is not intended to predict the performance of any investment. Past performance is not indicative of future results. It should not be assumed that recommendations made in the future will be profitable. 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. These opinions may change at anytime 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. The information has been gathered from sources believed to be reliable, however data is not guaranteed.

The Standard and Poor's 500 Stock Index includes 500 stocks and is a common measure of the performance of the overall U.S. stock market. The MSCI ACWI consists of 47 country indexes comprising 23 developed and 24 emerging market country indexes. The total return of the MSCI ACWI (Net) Index is calculated using net dividends. Net total return reflects the reinvestment of dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The Bloomberg Barclays US Aggregate Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. The Bloomberg Barclays US Aggregate Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. An index is unmanaged and is not available for direct investment.

Any portfolio characteristics, including position sizes and sector allocations, among others, are generally averages and are for illustrative purposes only and do not reflect the investments of an actual portfolio unless otherwise noted. The investment guidelines of an actual portfolio may permit or restrict investments that are materially different in size, nature, and risk from those shown. The investment processes, research processes, or risk processes shown herein are for informational purposes to demonstrate an overview of the process. Such processes may differ by product, client mandate, or market conditions. 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.

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' strategies' 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.