WESTEND Advisors

A VICTORY CAPITAL® INVESTMENT FRANCHISE

Macroeconomic Highlights

Q2 2023

20230403-2827242

Table of Contents

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WestEnd Outlook Highlights

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- While economic data is still mixed, we see continued risk of slowing economic activity tied, in part, to the Fed's aggressive monetary tightening. In our view, the elevated stress in the financial system is partly a consequence of aggressive monetary policy, but also part of the transmission mechanism through which Fed tightening affects the broader economy, and in Q1 exacerbated the late-cycle challenges to growth. As such, we see significant risk to earnings for more economically sensitive sectors, but we see opportunity in select U.S. equity sectors and fixed income.
  - A key component of our outlook is the Federal Reserve's path of monetary policy tightening, including the sharpest set of rate hikes in at least a half century, which we believe has increased the risk of recession.
  - Headline data for some areas of the global economy remain sound, such as the U.S. employment and consumption, but leading areas of the job market and reduced consumer savings suggest to us that 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 believe Europe still faces significant risks from monetary and fiscal tightening, and it has less savings cushion to support consumers than the U.S. We also expect slowing growth to present headwinds for economically cyclical emerging markets, while developed Asia is a relative bright spot.
- We continue to adjust portfolios for ongoing progression of the economic cycle and in view of current risks and opportunities:
  - In U.S. large-cap equity allocations:
    - We are avoiding early-phase cyclical U.S. sectors in all our strategies. We instead are emphasizing mid- and late-phase sectors that we expect will see less deceleration in earnings as economic growth slows.
    - We have continued to add to late-phase U.S. 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 we have increased Treasury exposure over the past year, which we believe could benefit amid a flight to perceived safe assets.

U.S. Equity Sector Allocations

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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 March 31, 2023. Source: WestEnd Advisors.

U.S. Economic & Market Backdrop

Slowing Economic Growth Brings Increased Challenges and Risks

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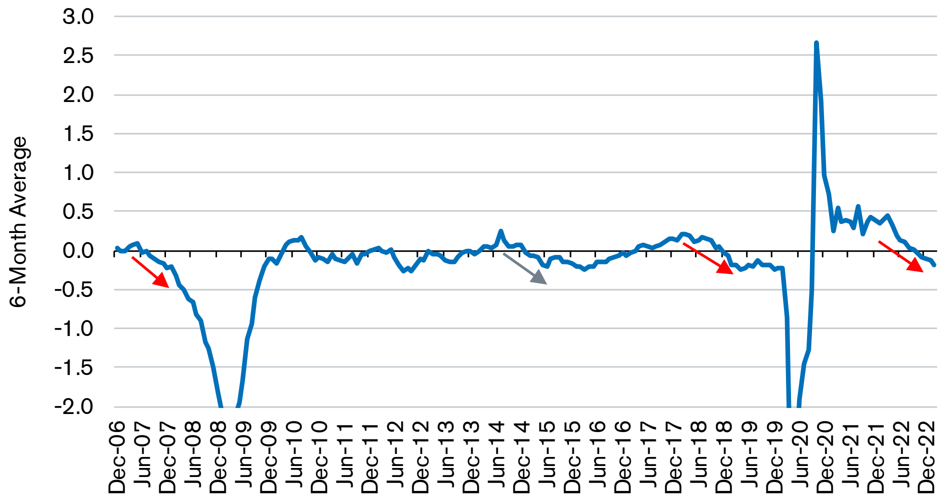
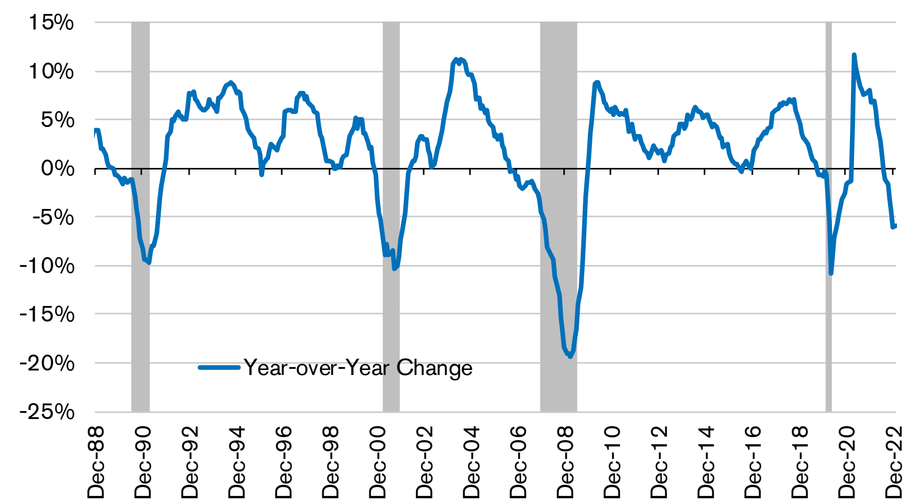
CHICAGO FED NATIONAL ACTIVITY INDEX



Source: Chicago Federal Reserve Bank, WestEnd Advisors

LEADING ECONOMIC INDEX



Source: Conference Board, 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 Fed National Activity Index weakened in recent quarters. Despite the volatility in quarterly GDP readings, **we see late-cycle economic conditions in place in 2023.**

Looking forward, the Leading Economic Index (LEI) has deteriorated over the last year as the Fed has tightened monetary policy and interest rate sensitive parts of the economy have weakened. The bottom chart illustrates that LEI growth has fallen to a level that historically has coincided with recessions. We believe the prospect of economic retrenchment will **increase the likelihood of earnings disappointments, particularly for companies in economically sensitive sectors of the economy.**

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Banking Turmoil Exacerbates Late-Cycle Conditions

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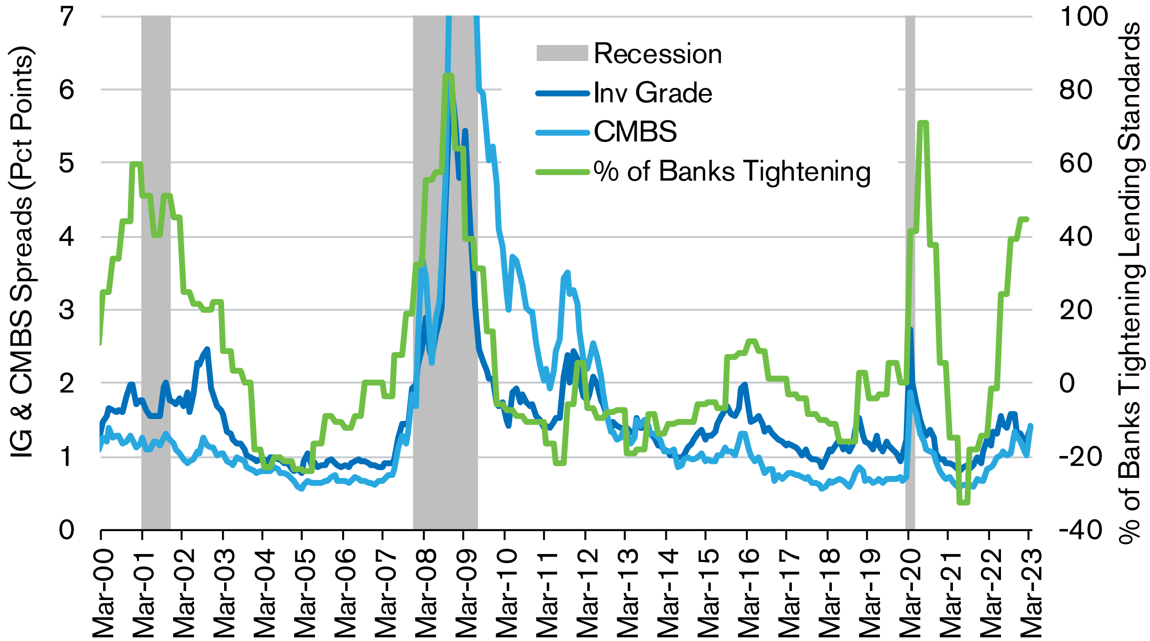
CREDIT CONDITIONS REFLECT LATE-CYCLE, NOT CRISIS



Source: WestEnd Advisors, Federal Reserve, Bloomberg

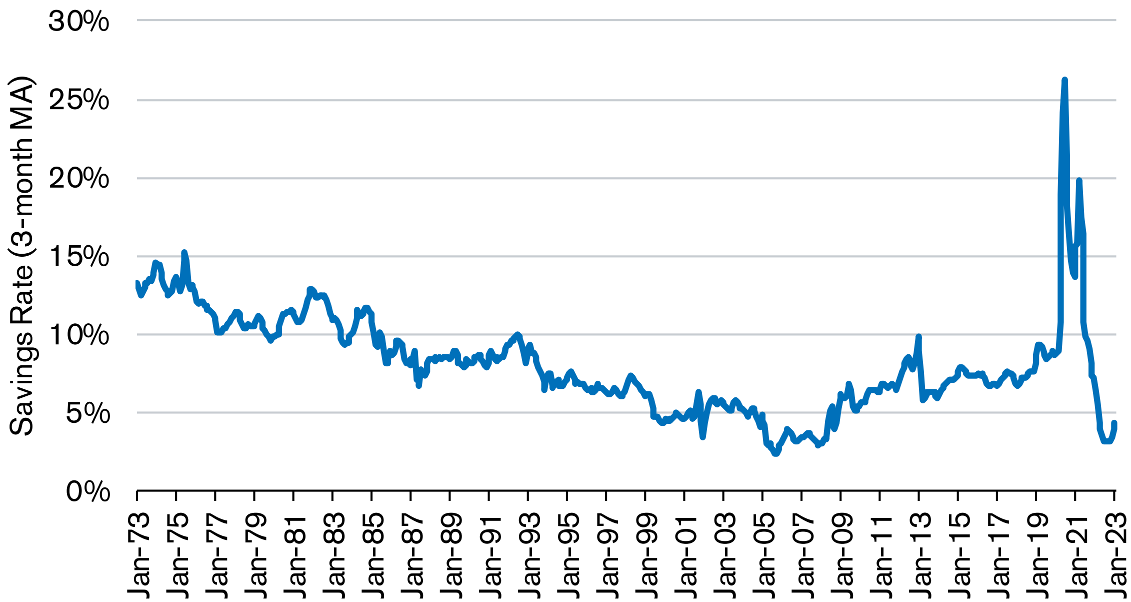
Portfolio Impact: We anticipated **tighter credit and liquidity conditions, as is typical late in the cycle**, but we did not know how exactly that would manifest in the economy. We have transitioned portfolios to an **avoidance of early-phase sectors, like Financials and Energy**. We have added to late-phase sector exposure, and, in balanced portfolios, have moved to an **overweight of fixed income**.

We do not see the turmoil in the banking industry as leading to a full-blown credit crisis, but we do see these recent developments as typical after a period of significant monetary policy tightening. We believe tighter credit market conditions are likely to exacerbate the growth headwinds that have developed as the economic cycle has advanced and could pull forward the risk of recession.

Market data like credit spreads and surveys of bank leaders indicate that credit conditions have been tightening, and we expect Q1's bank failures are likely to extend those trends while consumers and businesses are facing greater financial pressures from continued inflation and faltering demand.

Savings Unlikely to Support Spending Like in 2022

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 this year compared to 2022. **A more challenged U.S. consumer would increase 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. Our analysis indicates that a **decline in the savings rate** from 7.5% to 4.4% over the 12 months ended December 2022 **accounted for 43% 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**.

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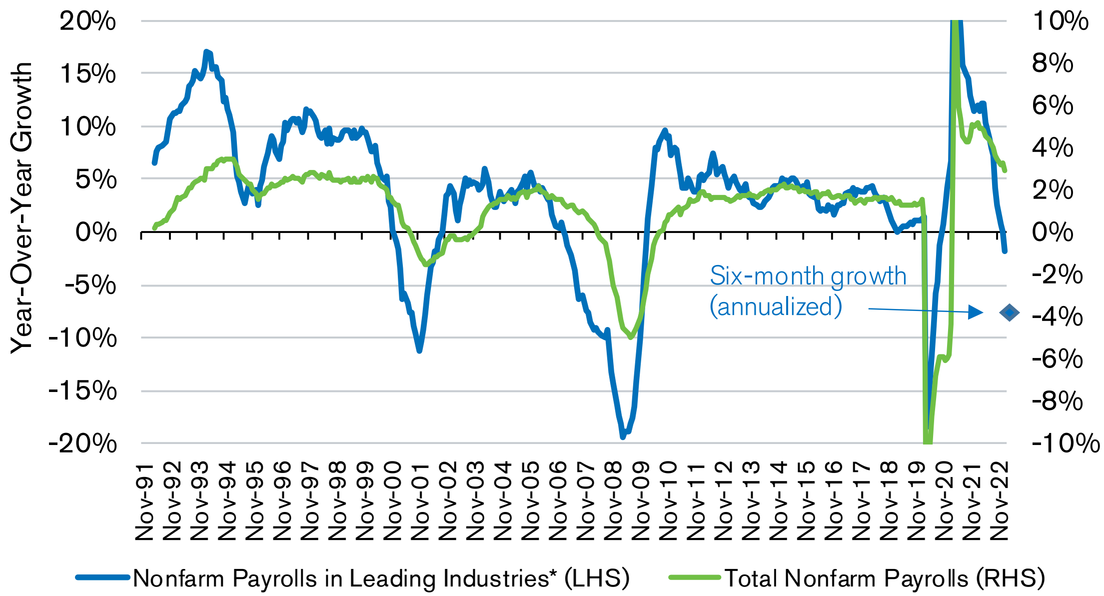
Leading Labor Market Data Starting to Deteriorate

JOB GROWTH RAPIDLY SLOWING IN LEADING INDUSTRIES



Portfolio Impact: Job growth remains a 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.

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

Source: BLS, WestEnd Advisors

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 (see 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**.

Inflation and Labor Market Conditions Restrict the Fed's Flexibility

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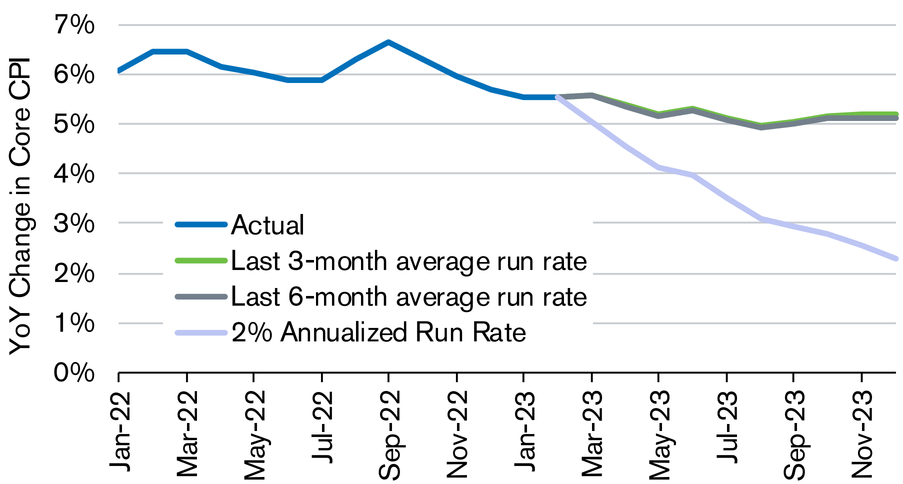
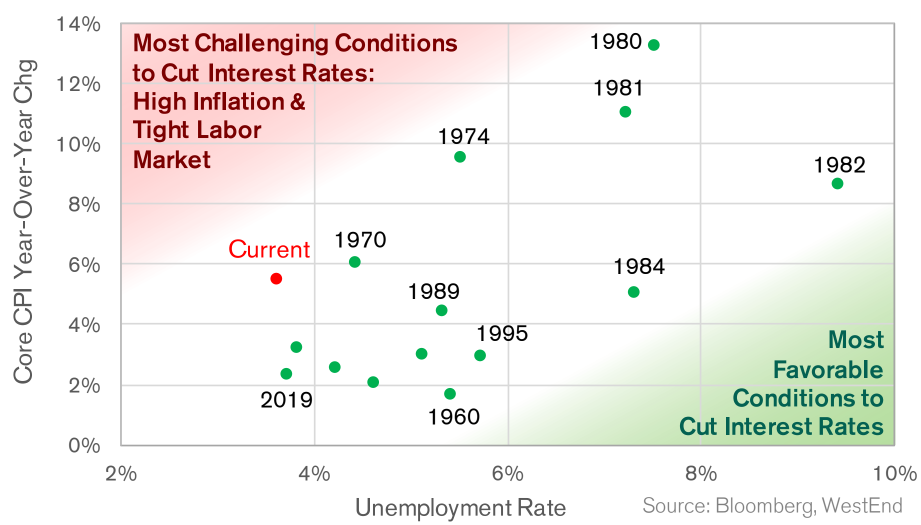
CORE CPI TRACKING ABOVE FED'S 2% TARGET



Source: BLS, WestEnd Advisors

HISTORICAL INFLATION & UNEMPLOYMENT FOR 1ST RATE CUTS



Portfolio Impact: Allocations to the more defensive **Health Care, Utilities, and Consumer Staples** sectors are warranted, in our view, given the risks to economic growth tied to the pace and magnitude of the current tightening cycle, as well as our expectation that **monetary policy will remain restrictive** barring serious economic deterioration.

Measures of core inflation have decelerated modestly over the past several months as goods inflation has slowed even as services inflation remains elevated. Our analysis of the potential future paths for inflation suggests that **inflation may not fall as much in 2023 as the Fed expected coming into the year, let alone reach its 2% longer-run target**.

The current combination of unemployment and inflation is not consistent with conditions when the Fed has started rate cutting cycles in the past. If fact, if the **Fed started cutting rates at today's 3.6% unemployment rate, it would be a record low for the start of a rate cut cycle**. We need a deterioration in economic fundamentals, in our view, before the Fed starts cutting interest rates.

Impact of Policy Tightening Yet to be Fully Recognized

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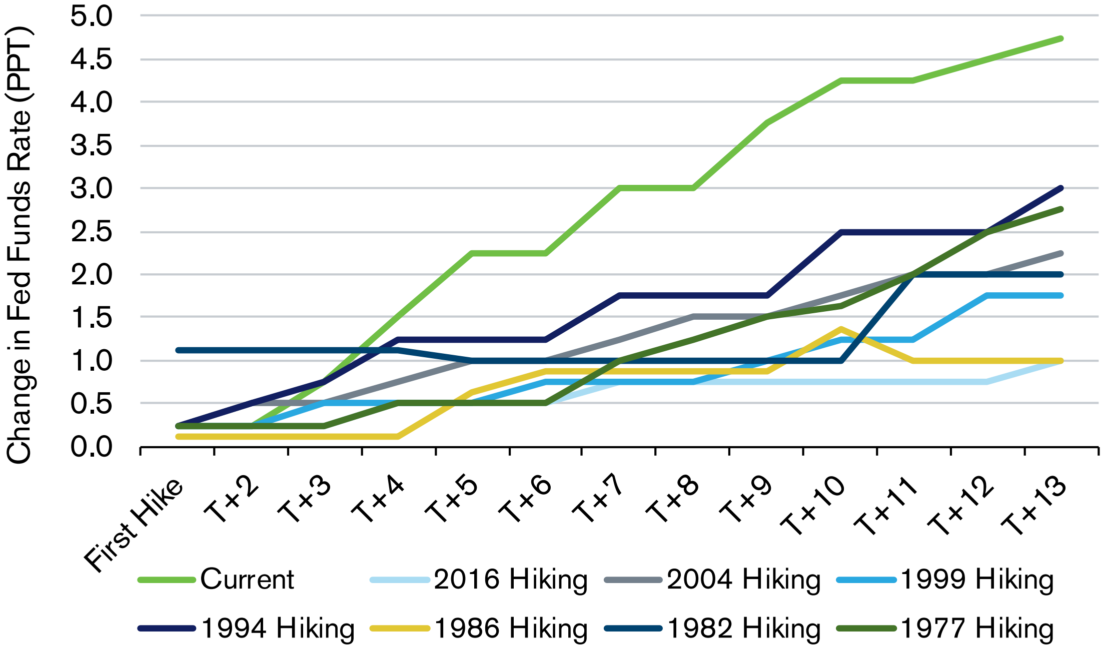
UNPRECEDENTED PACE OF TIGHTENING



Source: WestEnd Advisors, Bloomberg

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. 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).

Recent bank industry turmoil, which ties back to tighter monetary policy conditions, is likely to further **contribute to tightening of credit conditions across the U.S. economy**. Before the failure of banks in Q1, we were already seeing banks become more cautious with higher credit standards.

Margin Challenges a Headwind for EPS Growth

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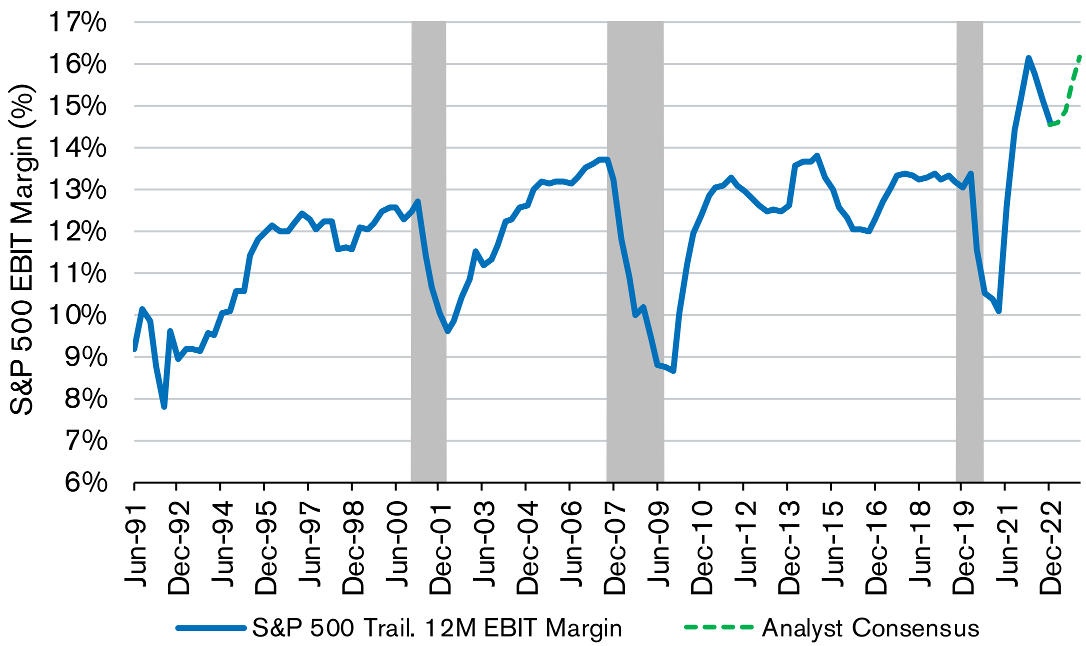
OPERATING MARGIN ESTIMATES ARE UNUSUALLY ELEVATED



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: Operating and net income margins could continue to normalize, in our view, even as consensus estimates appear exceedingly optimistic. As such, we are **avoiding parts of the market that we believe could see substantial margin contraction** in the event of an economic slowdown, such as **Energy, Materials, and Industrials sectors**.

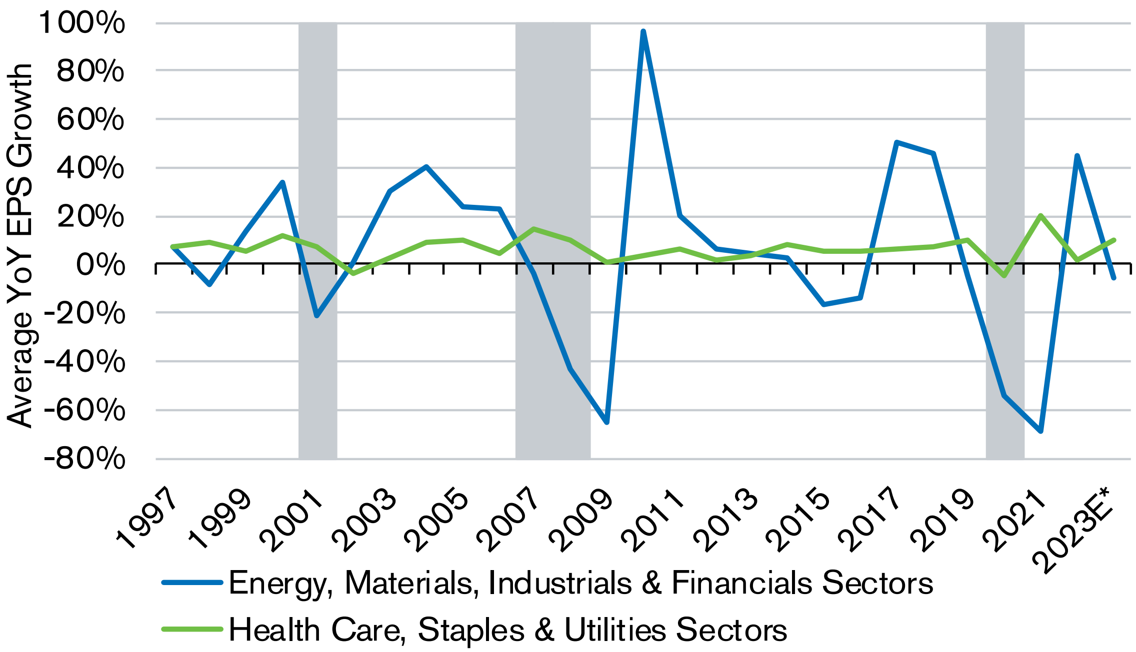
Operating and net income margins for S&P 500 companies climbed to record levels in the aftermath of the pandemic as demand surged, inflation lifted top-line growth, and costs remained subdued. More recently, **operating margins have started to decline**, which we would expect to continue in a slowing economic environment.

Analysts' consensus estimates, in contrast, are calling for operating margins to rebound back to pandemic-era highs (see chart above). **In the event that margins normalize back toward pre-pandemic levels, earnings growth could be a source of disappointment for investors in 2023, particularly for cyclical sectors.**

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

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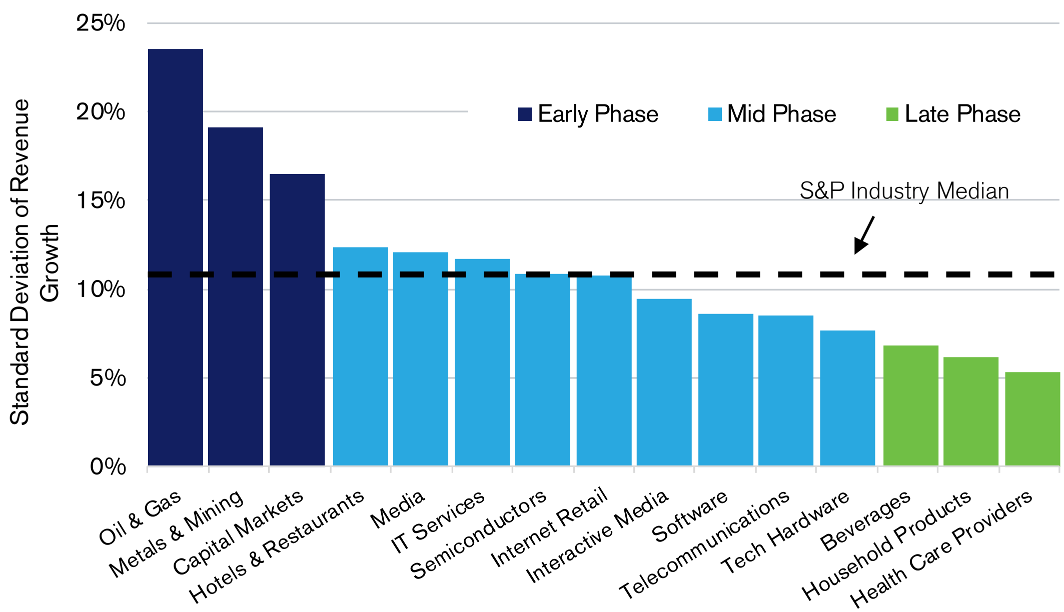
SELECT INDUSTRY REVENUE VOLATILITY



Source: Bloomberg, 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 more 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.**

Higher Funding Costs to Pressure Bank Earnings

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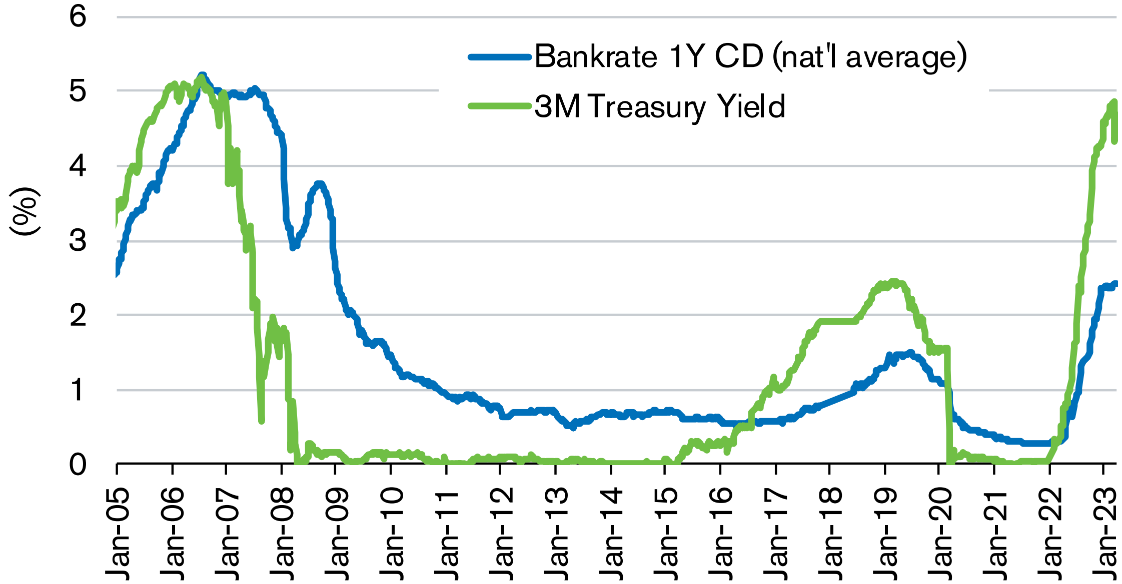
COMPETITION FOR BANK DEPOSITS INCREASES



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: We **eliminated U.S. Financials sector exposure** in portfolios as we believe the prospect of net interest margin pressure, 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.

Bank failures in Q1 put the spotlight on a normal late-cycle challenge for banks as short-term interest rates increase. Holders of bank deposits now have higher-yielding alternatives for those funds, including money-market funds, which typically hold high-quality, short-term assets like 3-month Treasury bills. **Banks now not only need to increase interest paid on deposits, but are also likely to face additional regulatory pressure and costs** in the wake of highly visible bank failures.

In addition, 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.

Defensive Sector Valuations In-Line with History

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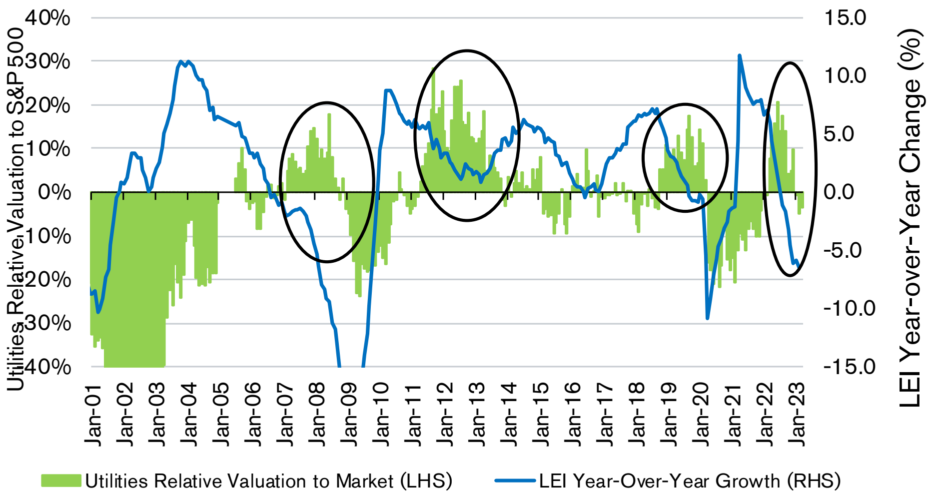
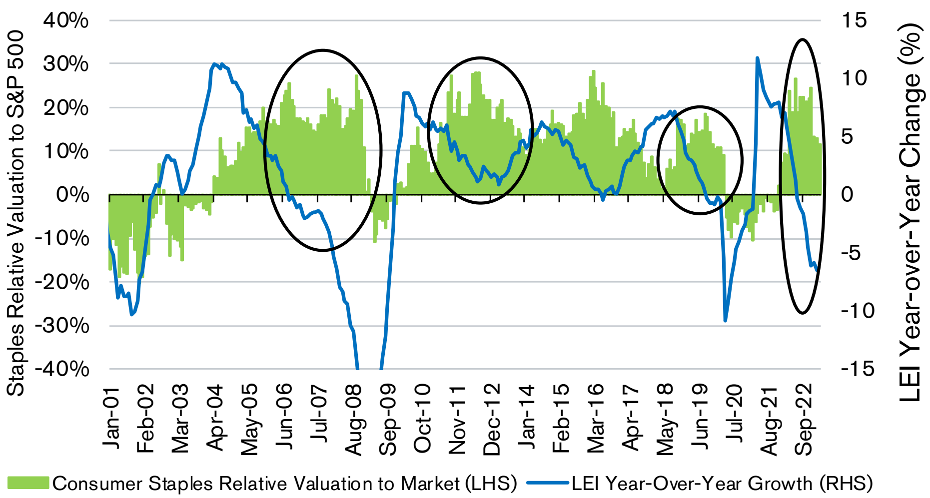
UTILITIES RELATIVE VALUATION VS. LEI



Source: Bloomberg, WestEnd Advisors

CONS. STAPLES RELATIVE VALUATION VS. LEI



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: As the economy matures and growth slows, we expect investors will be willing to **pay a premium for defensive sectors that can generate relatively stable earnings growth in a recessionary environment, such as Consumer Staples and Utilities.** Meanwhile, earnings downgrades in more cyclical parts of the market would make those cyclical sectors more expensive than they currently appear.

The **relative valuations of both the Consumer Staples and Utilities sectors expanded last year amid elevated market volatility.** While this might make these sectors less attractive in a dynamic growth environment, we believe the stability of the sectors' revenues and earnings leaves these defensive sectors well insulated from mounting economic risks, particularly compared to more cyclical parts of the market.

As illustrated in the charts to the left, **the relative valuations for these defensive sectors have come in since the start of the year and tend to rise during periods of slowing economic growth.**

Expect a Deterioration in Energy Sector Fundamentals

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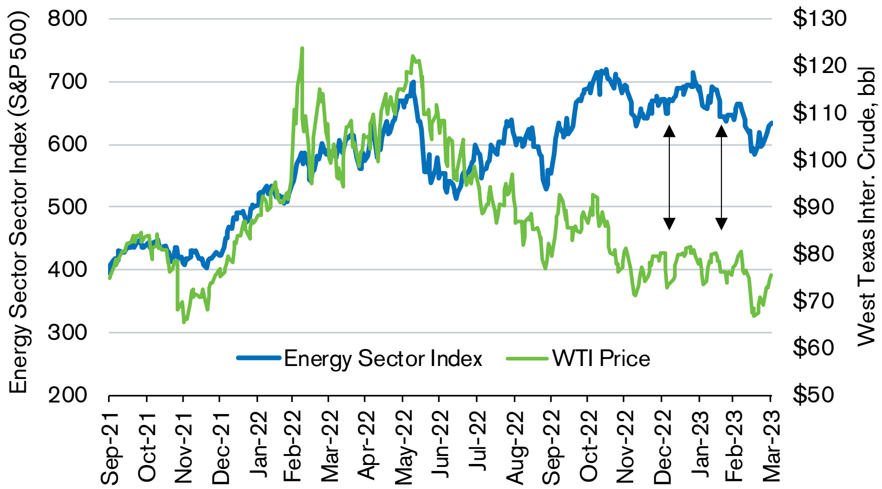
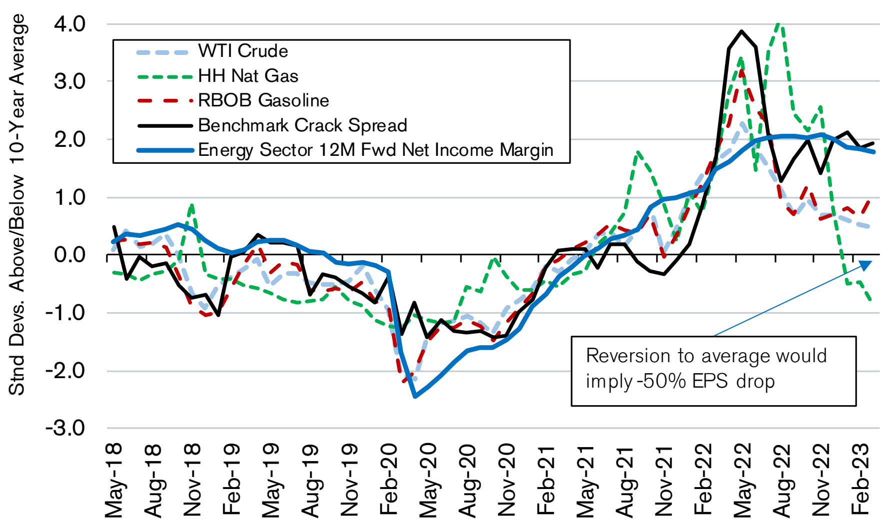
ENERGY SECTOR INDEX VS. CRUDE OIL PRICE



Source: WestEnd Advisors, Bloomberg

ENERGY SECTOR MARGINS LIKELY PEAKED IN 2022



Source: Bloomberg, 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.

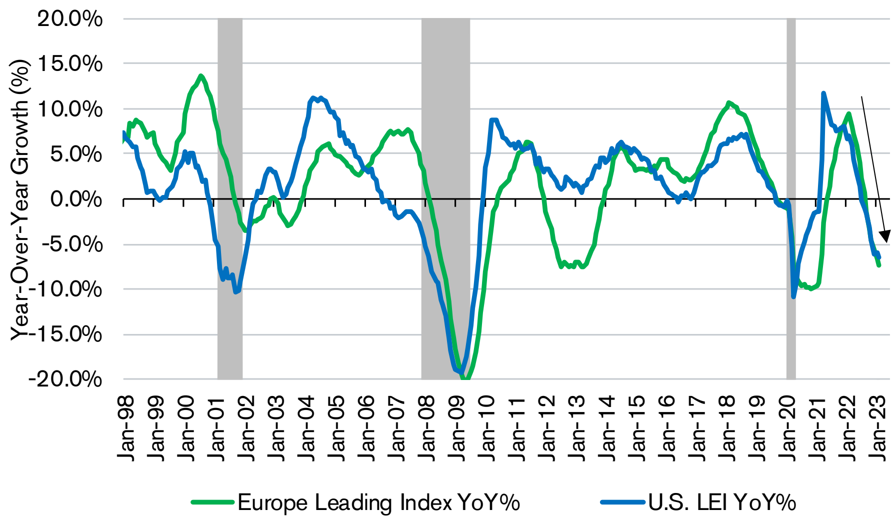
Margin expansion was a key driver of Energy companies' post-pandemic earnings rebound, due in part to **surging natural gas prices and above-average crack spreads**. More recently, these trends **have started to reverse** (bottom chart). As global growth slows, we expect these markets to continue to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

20230403-2827242

International Economic & Market Backdrop

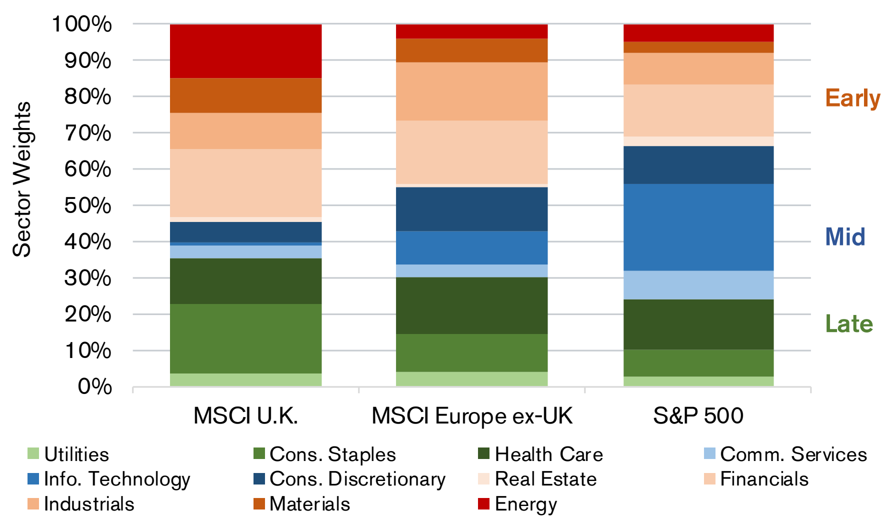
Europe Exposed to a Cyclical Downturn

RECESSION RISKS ELEVATED IN BOTH THE US & EUROPE…



Source: Conference Board, WestEnd Advisors

…BUT EUROPE HAS MORE EXPOSURE TO EARLY CYCLICALS



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: An **underweight allocation to Europe** is warranted, in our view, given that it faces **economic headwinds such as inflation and monetary policy tightening.** In the event of a global recession, we would expect European equities to generate weaker sales and earnings growth than other developed regions.

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.

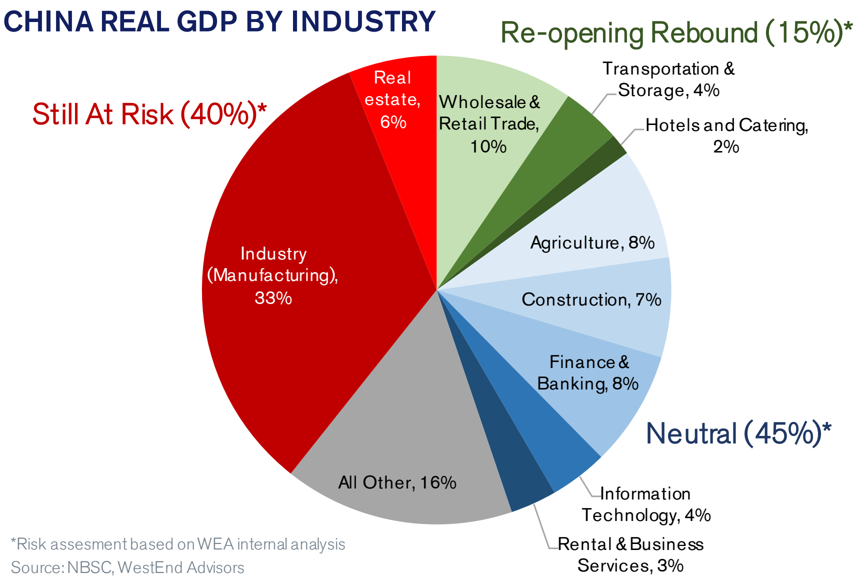
Leading indicators suggest the **risk of recession is still elevated in Europe** (see top chart). The region faces several headwinds, including surging costs, monetary and fiscal tightening, and a smaller savings cushion relative to other developed countries.

While recession risks also appear elevated in the U.S., **Europe has materially more exposure to cyclical sectors that are sensitive to an economic downturn** (see bottom chart)**.**

Growth risks appear more subdued in Japan, where economic output is below potential and stimulative monetary and fiscal policies remain in place.

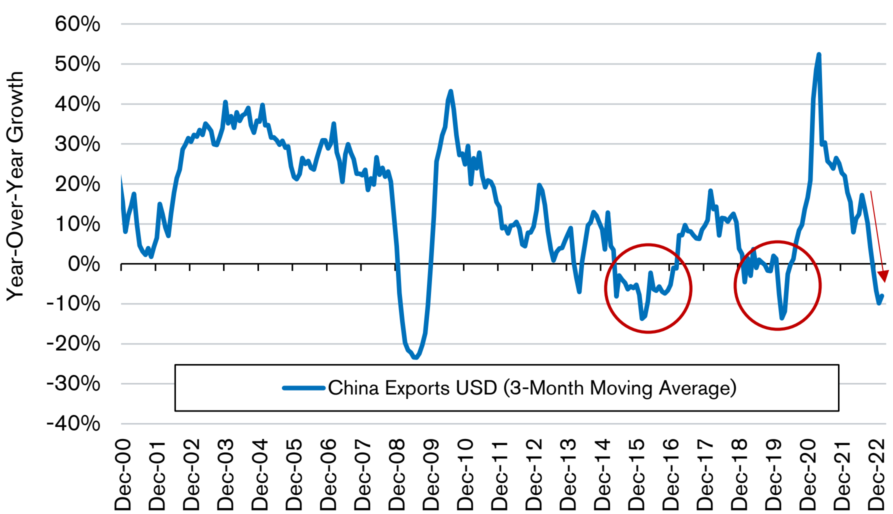
Re-opening is a Positive for China, but Risks Remain

CHINA REAL GDP BY INDUSTRY



*Risk assesment based on WEA internal analysis
Source: NBSC, WestEnd Advisors

MANUFACTURING HEADWINDS HURT CHINESE EXPORT GROWTH



Source: NBSC

Portfolio Impact: As the global economic cycle enters the later stages, we remain **underweight Emerging Markets (EM)** in global portfolios. We anticipate subdued near-term return potential for EM, given its dependence on exports, and do not believe that China's re-opening will generate a growth impulse strong enough to offset a global economic downturn.

While real GDP growth in China is likely to accelerate following the removal of COVID-19 restrictions, we believe softening global demand trends are likely to dampen the country's near-term growth potential. The economic lift from **China's re-opening is likely to be concentrated in domestic consumption-related industries, which represent a small portion of China's overall economy (see top chart).**

Slowing demand for goods in the U.S. and E.U., which account for ~40% of global GDP, should continue to weigh on production and export growth in EM countries, including China. **During prior periods of slowing global demand, China's export growth remained sluggish for up to two years (see bottom chart).**

US Dollar Modestly Overvalued, But Could Rise in Recession

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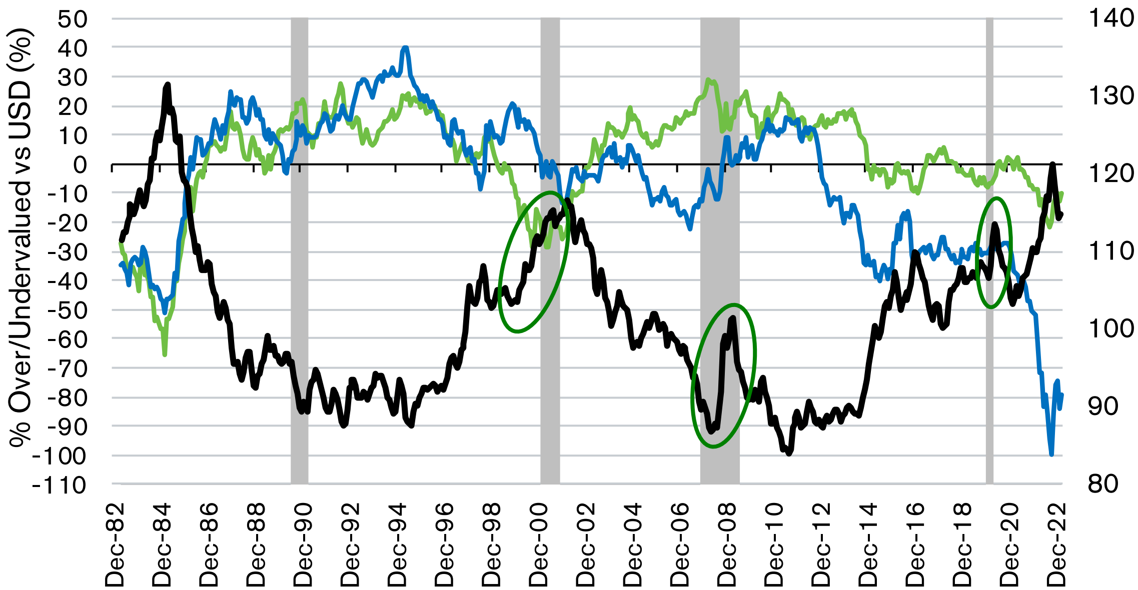
US DOLLAR TENDS TO RISE DURING RECESSIONS



Source: Bloomberg, 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.

Interest Rates & Real Assets

Compelling Fixed Income Return Potential After Dismal 2022

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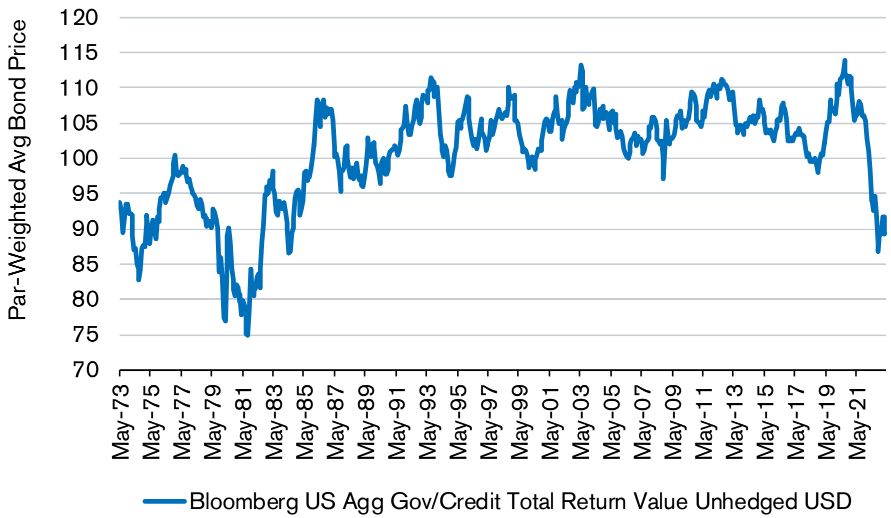
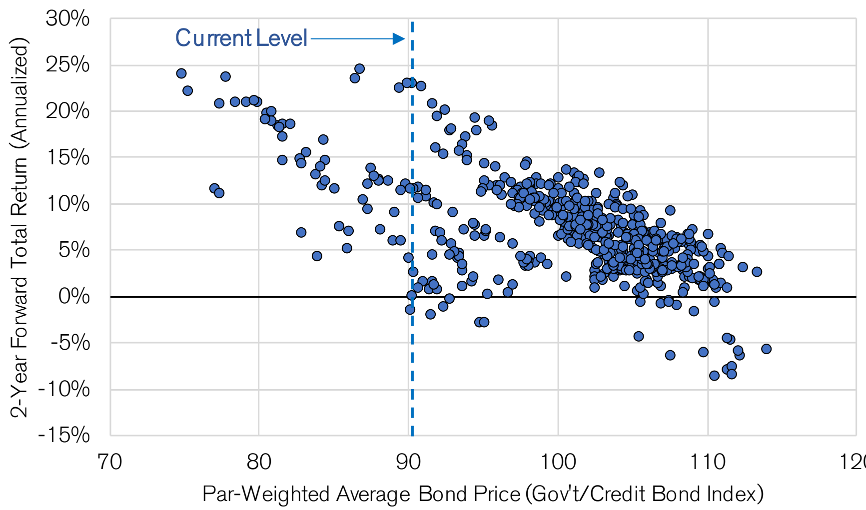
BOND PRICES HAVE FALLEN TO GENERATIONAL LOWS…



Source: Bloomberg, WestEnd Advisors

POTENTIAL RETURNS FOR FIXED INCOME ARE ATTRACTIVE



Source: Bloomberg, 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 continue to **underweight equities and have increased our 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 (see top chart).

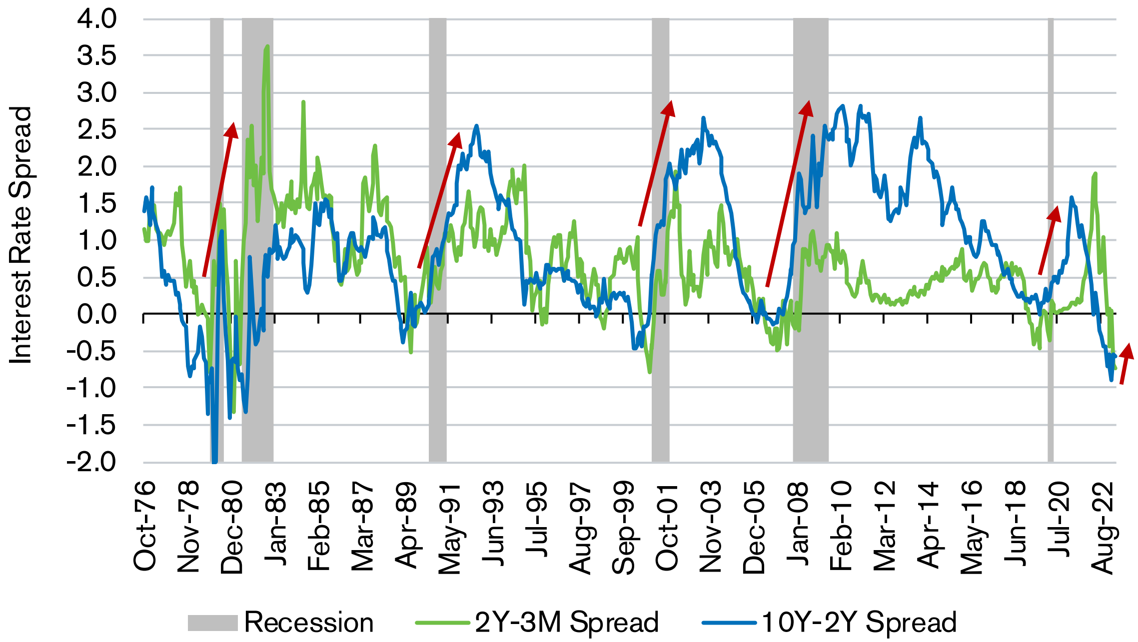
The top chart shows that the par-weighted average bond price for the U.S. Government/Credit Bond Index has plunged to the lowest level since the early 1980's.

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).

20230403-2827242

Major Yield Curve Steepening Signals Recession

YIELD CURVE HAS STARTED TO STEEPEN, BUT MORE TO GO



Source: Bloomberg, WestEnd Advisors

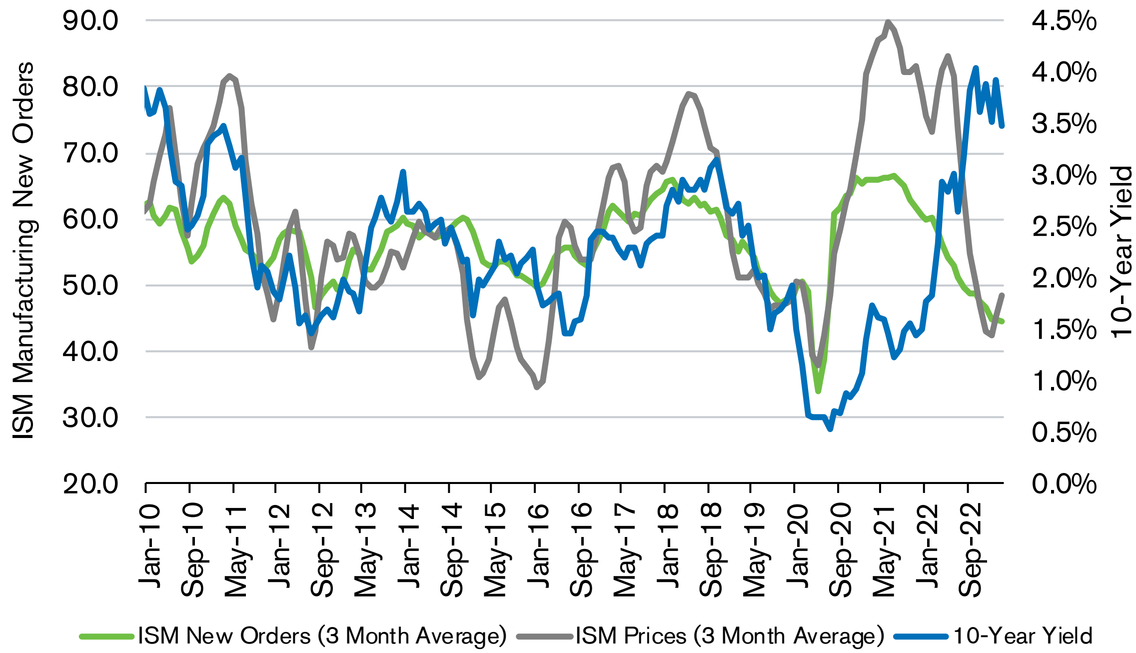
Portfolio Impact: With more fallout from Fed tightening and late-cycle conditions, **we see a growing risk of an economic recession**. As such, in balanced portfolios, we have reduced our overweight of corporate credit and **added to our defensive long-duration Treasury exposure**, which we believe will 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, in our view, are also likely higher quality than short-duration and high-yield credit.

Peak in Interest Rates May Be Approaching

SOFTENING NOMINAL ACTIVITY REDUCES UPWARD PRESSURE ON RATES



Source: Institute for Supply Management, Bloomberg, WestEnd Advisors

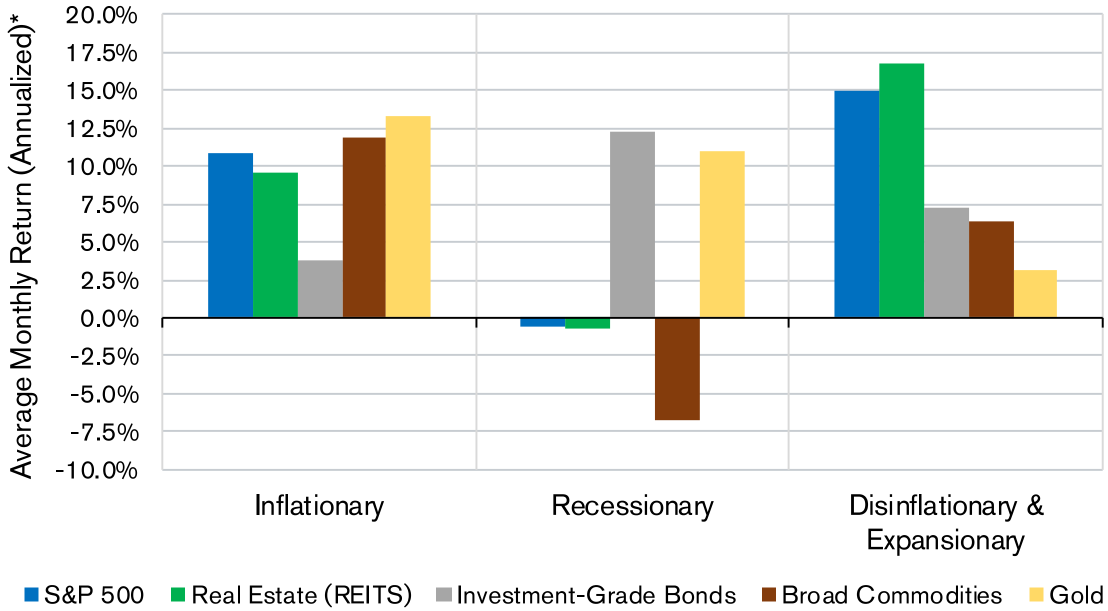
Portfolio Impact: Given the largest annual interest rate increases in six decades and a growing likelihood that the peak in long-term interest rates could be approaching, we believe **the duration risk to the fixed income market has diminished**. As such, we maintain an overweight of long duration bonds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

Asset Class Returns Driven by Macro Environment

MACRO CONDITIONS DRIVE ASSET CLASS DISPERSION



Source: Bloomberg, WestEnd Advisors *Covers all periods since 1975.

Portfolio Impact: Moving forward, we see a growing likelihood that recent inflation pressures fade as the risk of recession rises. As such, we are **emphasizing fixed income and gold in our multi-asset portfolios**, while underweighting or avoiding the most economically-sensitive assets, such as equities, real estate, and broad commodities.

The economic and market volatility exhibited so far this cycle have showcased that asset class performance can vary significantly depending on the underlying economic environment. During inflationary environments, which occurred in 2021 and 2022, we believe commodities can add significant capital appreciation potential and inflation protection to a portfolio.

However, as we look ahead in 2023, **we believe there is potential for the inflationary backdrop to shift into one of deteriorating economic growth**. As such, we have repositioned our multi-asset portfolios to protect capital in the event of a downturn. As the chart above shows, investment grade bonds and gold have historically outperformed other classes during recessions.

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.