PERSONALIZED RETIREMENT OUTCOMES

FIRST QUARTER 2021 MARKET OUTLOOK & INDUSTRY REVIEW

OVERVIEW

Retirement readiness for plan participants is heavily dependent on a healthy savings rate and appropriate asset allocations. As a retirement industry thought leader, Personalized Retirement Outcomes understands the need to stay abreast of the latest industry research and market trends.

With that in mind, this Quarterly Market Outlook & Industry Review seeks to provide readers with information and developments relevant to the retirement community.

In this document, we present information pertinent to the following topics:

- Recently published retirement industry papers and articles with hyperlinks to source files.
- Current Fisher Investments global portfolio themes for both equities and fixed income.
- A general market outlook and commentary for equities as well as fixed income.
- Summary description of Fisher Investments Personalized Retirement Outcomes (PRO).
- Fact sheets on Fisher Investments All World Equity Collective Fund and US Fixed Income Collective Fund.

Personalized Retirement Outcomes (PRO):

- Personalized Portfolios
- No Participant Action Required
- Actively Managed Investments
- A Highly Competitive Cost

A "Next Generation" QDIA is now available at Fisher Investments.

Fisher Investments plans to send proactive communications each quarter to update plan sponsors and their advisors of the latest industry research and trends.

RETIREMENT INDUSTRY RESEARCH

Highlighted below is a summary of recently published industry research that we have found particularly interesting.

- **Empower Institute:** "Retirement Plans in a Post-COVID World"
- Source Link

Summary: In a post-COVID world, participants are looking to take more control of their retirement future by saving more and soliciting a more personalized approach to financial advice.

Current Portfolio Themes

These are Fisher Investments' current broad views on Equities and Fixed Income.

Equities

- **Quality Tilt:**
  We continue to favor larger, high-quality companies as our assessment is that we remain in a late bull market cycle despite the technical bear in 2020.

- **Recent Relative Strength Likely a Typical Countertrend:**
  The recent relative strength in smaller and more value-oriented companies is likely a typical countertrend in a longer growth-led cycle.

- **Preference for Growth Equities:**
  Measures of economic growth and inflation likely moderate once last year's deeply depressed base levels are passed, supporting our preference for growth-oriented equities.

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> "With Treasuries trading near historically low yields, other fixed income investment opportunities are comparatively more attractive than Treasuries in our view."

Fixed Income

- **Investment Grade Corporates Remain Attractive:**
  Investment grade corporate bonds are a primary emphasis in our fixed-income portfolios, reflecting our belief they presently offer more attractive risk and return characteristics than US Treasuries. Investment-grade corporate bonds offer higher yields than Treasuries - attractive in the relatively benign interest rate environment. Credit spreads widened in Q1 2021 tied to the COVID-19 pandemic, weighing on returns, but have anrrowed significantly since March 2021. We expect spreads to remain relatively tight as improving corporate profitability, healthy corporate balance sheets, and warming sentiment typically further reduce the gap between corporate and sovereign bond yields.

- **Underweight Relatively Low Yielding Treasuries:**
  Portfolios only have limited exposure to longer-dated Treasuries at this time. With Treasuries trading near historically low yields, other fixed income investment opportunities are comparatively more attractive than Treasuries in our view. However, Treasuries are less correlated with stocks, thus having a limited allocation to Treasuries should help dampen shorter-term volatility.

Market Outlook

These are the general views and market outlook from the 1st quarter 2021 written by Fisher Investments' Investment Policy Committee (IPC), a five person team of industry leaders with more than 130 years of combined industry experience, that collaboratively make all of the firm's strategic investment decisions.

Equities

- **Expect an Above-Average Year for Global Equities:**
  We anticipate a strong year for global markets tied to equities' resilience, political clarity and continued vaccine development and distribution.

- **We Believe We are Late in the Market Cycle:**
  The 2020 downturn behaved more like an outsized correction than a traditional bear so the market cycle did not reset. The vast majoirty of our sentiment and market indicators point to this being a late cycle bull market, yet many forecasters expect early-cycle leadership.

- **Investor Sentiment is Elevated but not Euphoric and can Remain High for a Long Time:**
  Positive sentiment can reign for a while before equities read a euphoric peak, with strong returns along the way. Monitoring sentiment will be key for investors in 2021.

Fixed Income

- **We Believe Inflation Likely Remains Tame:**
  Despite the recent rise in the 10year Treasury yield, we expect long-term interest rates to remain relatively low - albeit with volatility along the way. Inflation expectations are a chief ingredient in long-term interest rate moves and many assume rapid inflation is inevitable as the economy reopens. However, inflation errupts from too much money chasing too few goods and services. With money changing hands at a historically slow pace, we believe inflation likely remains tame.

- **Foreign Demand for Treasuries is Robust:**
  Additionally, the Fed's promise of unlimited quantitative easing (QE) is putting downward pressure on yields across the yield curve. Meanwhile, competing forces from abroad including negative interest rates, QE and low global inflation support strong demand for Treasuries - also weighing on long-term rates. Portfolios are presently positioned with a similar yield and interest rate sensitivity as the benchmark.

> "Inflation errupts from too much money chasing too few goods and services. With money changing hands at a historically slow pace, we believe inflation likely remains tame."

Market Outlook Commentary – Equities

Global markets extended their climb in Q1, rising 4.6%.[i] Value equities led growth with Tech and Tech-like equities lagging, however we believe this to be a temporary countertrend. We are monitoring this carefully with the understanding that style volatility is normal. Crucially, our outlook hasn't changed. We still think equities should have a good year, with growth regaining its leadership as markets climb alongside sentiment.

As detailed in past Reviews, 2020's bear market acted like an oversized correction. There was little to no excess before governments shut down the global economy to restrain COVID-19's spread, triggering a contraction unlike normal recessions. Markets priced this rapidly - too fast to reset the market cycle, in our view. As a result, equities are behaving like they are in the late stages of the bull market that began in 2009 - a point when returns are usually strong with growth leading despite irregular value countertrend rallies.

Overwhelmingly, most observers now envision a young bull market with years to run amid extended value leadership. Global markets efficiently price in broad expectations and we believe there are fundamental reasons for our current contrarian view. While we believe this bull market has room to run now, it is likely closer to its end than most expect.

Value's leadership dominated headlines globally in Q1 - a big sign this is a temporary and fleeting leadership reversal, in our view. Long-term interest rates rose swiftly - which inflated expectations for inflation and fast economic growth to benefit the industries that suffered most during lockdowns - all value categories. The steeper yield curve also heightened expectations for bank earnings, another big value component. Fund managers are now more optimistic on value than they have been in many years with retail investors following suit. After a brief bump tied to reopening, economic growth will likely be slower than headlines expect. Inflation probably won't spike, anchoring long-term interest rates - a backdrop favoring growth equities over value. Further, value equities, especially illiquid small ones, are generally lower quality and usually fare worst in bear markets. While we don't think a bear market is imminent, investors shifting heavily to value and not appreciating this bull market's late-cycle traits could be setting themselves up for disappointment.

Sentiment today is classically late-cycle. Optimism abounds. Pockets of euphoria exist in areas such as cryptocurrencies, digital assets called non-fungible tokens (NFTs) and so-called blank check companies (Special-Purpose Acquisition Companies, or SPACs). These fads wouldn't happen in a typical new bull market, when pessimism dominates.

Pockets of skepticism exist though, and politics underpins much of it. Many investors are concerned about spending and potential tax increases. This is understandable, and in the US more legislation may pass early in President Biden's term than we initially envisioned. But plenty of historical data show markets pre-price widely watched bills like taxes and spending, limiting their power over equities - positively or negatively.

For example, major tax and spending hikes dominated last year's US presidential campaign and the vast majority of investors expected them in some form. Therefore, efficient markets dealt with all of this by the time President Biden was elected. Also, his "honeymoon" period with lawmakers and voters is nearly over. Gridlock - tied to the Democratic Party's narrow edge in the house and senate as well as internal divisions - should result in any proposed legislation, such as a tax bill, getting watered down. Pushing bills through repeatedly would likely wear out fast, as many in Congress look ahead to 2022's midterms. As 2021 passes, gridlock's realities should grip tighter.

In European politics, Netherlands Prime Minister Mark Rutte's People's Party for Freedom Democracy (VVD) won the most votes in mid-March's general election. Yet, at the month's end, Prime Minister Rutte became entangled in a long-running childcare scandal, as allegations he tried to silence a whistleblower emerged. Italy has a new government, led by former ECB President Mario Draghi. Some observers think Prime Minister Draghi's popularity and reputation for competence bolster his ability to pass major changes, including overhauling Italy's bureaucracy and implementing sweeping tax reforms. However, we doubt Prime Minister Draghi's government will be much more active than its predecessors. Additionally, two widely watched German regional elections saw

Commentary - Equities Continued

outgoing Chancellor Angela Merkel's Christian Democratic Union (CDU) suffer historic losses. Some observers see the results as a precursor for September's federal election, though that seems unlikely to us. No one party looks likely to run away with September's vote, and no politician currently has Chancelloe Merkel's popularity. It appears another do-little German coalition government is likely, which should prevent extreme legislation - a positive for equities.

Emerging Markets (EM) also rose in Q1, rising in accordance with COVID-19 vaccine optimism and the value countertrend - helping EM heavy sectors such as Energy and Materials. However, Emerging Markets fell in March, with the biggest detractor a sharp fall in Chinese equities, which account for over 35% of the MSCI EM's market capitalization.[ii]

Chinese volatility, stemmed primarily from fears over the new enforcement of the Holding Foreign Companies Accountable Act - which raises the possibility of Chinese ADRs being delisted from US exchanges - and regulatory rumblings from Beijing. The People's Bank of China (PBOC) is reportedly planning to toughen oversight of digital commerce and payments - putting some large Tech and Tech-like names in its sights - and financial regulators are also considering measures that would further tighten private credit. While these issues are worth watching, we think the sentiment reaction to them is excessive. Once the sentiment reaction passes, we think the country's favorable economic fundaments should regain primacy, boosting Tech and e-commerce in particular. We think China's recent decline is a correction, not the start of something much worse, and we still think EM equities are likely to have a good to great year, with growth equities leading.

Markets' ability to pre-price major, widely discussed developments was one of last year's biggest lessons. It won't surprise us if the major economic data swings likely ahead push sentiment up and down. Economic data series are often calculated on a year-over-year basis. Last year's deeply depressed figures will be the base for forthcoming reporting, which will yield huge growth rates even if activity is static month to month. As we move through the second quarter, and last year's sharp rebound becomes the new base, we belive it could drive big slowdowns or even drops for the same reason. We expect to see plenty of headline volatility tied to this dynamic.

This "base effect" will also boost inflation briefly. This looks temporary to us, as inflation and interest rates move globally, not nationally. Global forces are reltively benign. On the economic front, many envision a big, stimulus-fueled boom in the coming months. Economic growth may spike temporarily, but we don't think a huge, lasting surge is ahead. We aren't pessimistic, but late in bull markets, high expectations and greed can drive some investors to make risky, overly optimistic decisions.

While we don't see a bear market as imminent, we are vigilant for what could cause one and we diligently monitor widespread signs which could affect equities broadly. But overall, this looks like a very good, late bull market year to us.

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Market Outlook Commentary - Fixed Income

Despite the recent rise in the 10-year Treasury yield, we expect long-term interest rates to remain relatively low - albeit with volatility along the way. With Treasuries still trading near historically low yields as the Fed continues its large-scale bond buying ("QE"), it is unlikely Treasury yields move materially higher in 2021. Additionally, inflationary expectations are likely to remain subdued following COVID-19 containement efforts, furhter dampening Treasury yields.

Corporate bond yield spreads, widening sharply early in 2021, have since tightened to near pre-crisis lows on an improving outlook for recovery as vaccines become more widely available. Looking ahead, we expect a gradual easing of COVID-19 containment measures that should lead to a more normal pace of economic activity. With the economic recovery outlook improving, we expect corporate yield spreads over Treasuries to remain comparatively tight, reflecting an improved outlook for corporate profitability. Portfolios are presently positioned in investment grade corporate, muni bonds (for taxable accounts) and moderate exposure to Treasuries, with an overall higher yield than the benchmark and benchmark-like duration.

Meanwhile, government bond yields in most of Europe and in Japan are lower than similar maturity US government bond yields due to ongoing QE in both Europe and Japan. From a credit quality point of view, bond investors do not see a lot of difference between the risk of repayment on a US Treasury or in the repayment of a German bund, for example. However, given the ECB's likely ongoing negative interest rate policy this year tied to its QE program, investor expectations of higher sovereign yields in Europe remain muted. Against this backdrop, foreign demand for Treasuries should remain strong this year, a further counterweight to rising US Treasury yields.

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Fisher Personalized Retirement Outcomes (PRO) Summary

Fisher Investments Personalized Retirement Outcomes (PRO) is a next-generation managed account created to help improve retirement outcomes for participants and their plan sponsors. Available to a retirement plan as either an affordable Qualified Default Investment Alternative (QDIA) or as an additional positive election option, PRO utilizes information automatically provided by the recordkeeper to implement and monitor personalized asset allocations for each individual participant without requiring engagement. PRO offers an easy-to-use online portal for participants who would like the option to better understand their retirement outlook and provide additional information (such as spousal age and outside income) that could further refine their personal asset allocations.

PRO participants receive the benefit of actively managed investment funds advised or managed by Fisher Investments' tenured Investment Policy Committee (IPC) allowing for cohesive and effectively communicated management, in addition to providing risk controls if we forecast a change in market conditions. PRO's streamlined approach to portfolio construction provides participants diversification without complexity and allows for plan sponsors and their retirement advisors easy benchmarking capabilities. As a service oriented organization with a strong background in delivering personalization to both high net worth individuals and institutions across the world, the Fisher Investment's PRO team works alongside retirement advisors and the plan sponsor to offer a customized service plan tailored to their needs.

About Fisher Investments

Fisher Investments (FI) is an independent investment adviser registered with the Securities and Exchange Commission (SEC). As of 03/31/2021, FI manages over $167 billion USD serving over 88,000 families and retirees on the private client side of the business and 149 institutional clients spanning across 31 countries.[iii] The firm was founded in 1979, serving both institutional and private retail investors including corporate and public defined benefit pension plans, and has evolved over the last four decades into a global business. The firm offers a broad array of global equity and fixed income strategies which are supported by its global research platform atop which all investment decisions are made by the firm's experienced and stable five member Investment Policy Committee (IPC) who average over 30 years of industry investment experience.

Contact Us

To set up time with a PRO team member or for any questions, please reach out to us at:
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Disclosures

For use by plan sponsors and their retirement planning advisors only.

i. Source: FactSet as of 04/01/2021. MSCI ACWI Index return with net dividends, 12/31/2020 – 03/31/2021.
ii. Source: FactSet as of 04/01/2021. MSCI Emerging Markets and constituent countries' market capitalization on 03/31/2021.
iii. As of 03/31/2021, FI and its subsidiaries manage assets valued over $48 billion across all FIIG strategies and over $119 billion for over 88,000 private clients.
All assets are as of 03/31/2021 are preliminary and subject to final reconciliation of accounts.
Assets are presented in USD Millions.
Number of countries are represented in client location by FIIG Clients only.
The IPC are generalists and devote their efforts to all the firm's strategies.

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Investing in securities involves the risk of loss and there is no guarantee that all or any capital invested will be repaid. Past performance is never a guarantee nor reliable indicator of future results. Other methods may produce different results, and the results for individual portfolios or different periods may vary depending on market conditions and the composition of a portfolio or index. The value of investments and the income from them will fluctuate with world equity markets and international currency exchange rates. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Bonds and bond funds are subject to interest rate risk and will decline in value as rates rise. Intended for use by employers considering or sponsoring plans and their advisors; not for use by plan participants. Performance data as of 03/31/2021.

Disclosures

AWE Collective fund disclosures

The foregoing information is based on the Fisher Investment All World Equity Collective Fund (AWE) benchmarked against the MSCI ACWI. This AWE Fund fiduciary authority is held by SEI Trust Company based on advice given by Fisher Investments. The AWE Fund is available to qualified retirement plans only, not a mutual fund. The AWE Fund will not pay a fee to Fisher Investments or the Trustee. Fisher Investments pays the Trustee for its services to the Fund. Participating plans pay Fisher Investments a separate fee for fiduciary services and fees to record keepers, administrators, and other service providers. If paid from plan assets, these fees reduce the net return to plan participants, but are not reflected in performance. The Fund does not pay many common expenses, but extraordinary circumstances (e.g., litigation) and certain investing activities (e.g., investing in another fund) may cause the Fund to have an expense ratio. The Fund will bear other expenses not covered by the expense ratio, including but not limited to commissions and costs relating to purchasing and selling Fund assets, brokerage fees and commissions, and other transaction expenses. Except otherwise noted, all values exclude cash held by the Fund. Investing in securities involves the risk of loss. Performance includes cash and reflects the deduction of all fees paid by the Fund and the reinvestment of dividends, interest and other income. Past performance is no guarantee of future results. In addition to the normal risks associated with investing, international investments may involve the risk of capital loss from unfavorable fluctuation in currency values, from differences in account principles or from social, economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. SEI Trust Company (the "Trustee") serves as the Trustee of the Fund.

US fixed income Collective fund disclosures

The foregoing information is based on the Fisher Investments US Fixed Income Collective Fund (US FI) benchmarked against the Bank of America US Broad Market Index. This US FI Fund fiduciary authority is held by SEI Trust Company based on advice given by Fisher Investments. The US FI Fund is available to qualified retirement plans only, not a mutual fund. The US FI Fund will not pay a fee to Fisher Investments or the Trustee. Fisher Investments pays the Trustee for its services to the Fund. Participating plans pay Fisher Investments a separate fee for fiduciary services and fees to record keepers, administrators, and other service providers. If paid from plan assets, these fees reduce the net return to plan participants but are not reflected in performance. The Fund does not pay many common expenses, but extraordinary circumstances (e.g., litigation) and certain investing activities (e.g., investing in another fund) may cause the Fund to have an expense ratio. The Fund will bear other expenses not covered by the expense ratio, including but not limited to commissions and costs relating to purchasing and selling Fund assets, brokerage fees and commissions, and other transaction expenses. Except otherwise noted, all values exclude cash held by the Fund. Investing in securities involves the risk of loss. Performance includes cash and reflects the deduction of all fees paid by the Fund and the reinvestment of dividends, interest and other income. Past performance is no guarantee of future results. In addition to the normal risks associated with investing, international investments may involve the risk of capital loss from unfavorable fluctuation in currency values, from differences in account principles or from social, economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. SEI Trust Company (the "Trustee") serves as the Trustee of the Fund.