

Target Guidance by Investment Category

| START HERE | Investment Category | Asset Class | Target Guidance in Range | Our Target Definitions |
|--------------------------|-------------------------|---|--------------------------|---|
| Equity Investments | Aggressive ¹ | Commodities & Emerging Markets | Middle | High - Opportunities outweigh the risks in some (or all) asset classes in the investment category. |
| | Growth | U.S. Small- and Mid-cap Stocks, International Small- and Mid-cap Stocks | Middle | |
| | Growth & Income | U.S. Large-cap Stocks, International Large-cap Stocks & Real Estate | Middle | Middle - Opportunities and risks are balanced in some (or all) asset classes in the investment category. |
| Fixed-income Investments | Income | U.S. Investment-grade Bonds & CDs, U.S. High-yield Bonds, International High-yield Bonds, International Bonds | Middle | Low - Risks outweigh the opportunities in some (or all) asset classes in the investment category. |
| | Cash | Cash & Money Market | Middle | |

¹ Alternative investments and stocks trading less than \$4 align with the Aggressive investment category, but they are not recommended. Asset classes we don't recommend separately include alternative investments and micro-cap equities.

QUARTERLY MARKET OUTLOOK: FIRST QUARTER 2021

Asset Class Outlook

Equity versus Fixed Income (Target = Middle): We recommend a neutral allocation between equity and fixed income. Equity valuations were relatively high entering 2021, but we expect earnings growth to push stocks higher over the year. However, near-term economic growth is likely to be more challenging, given pandemic uncertainties. Weaker economic signals and market setbacks should be expected, but diversification across fixed income can help provide stability for investment portfolios.

Domestic versus International (Target = Middle): Balanced equity diversification across the world can help prepare your portfolio for rotating leadership among asset classes and geographies as progress is made against the pandemic and we transition to a new global expansionary period. We favor domestic fixed income, particularly U.S. high-yield, over international fixed income, generally due to the opportunity for relatively higher interest rates.

Asset Class Diversification

Aggressive (Target = Middle): Geopolitical events may drive some volatility, but we expect emerging markets to benefit from improved global economic prospects, supporting our neutral recommendation. We remain cautious on commodity investments.

Growth (Target = Middle): Balanced diversification across more economically sensitive asset classes, such as small- and mid-cap stocks, can help a well-diversified portfolio benefit from a broadening equity rally as the economy improves.

Growth & Income (Target = Middle): Monetary and fiscal policy should provide economic support until a vaccine can be broadly distributed. We believe earnings growth will provide the fuel needed for equities to move higher in 2021, though not necessarily without pullbacks in the coming months.

We recommend neutral allocations among U.S. large-cap stocks, international developed-market large-cap stocks and real estate investments to help manage the near-term uncertainty.

Income (Target = Middle): With the Federal Reserve reiterating its monetary support, we expect rates to stay at historically low levels, though longer-term rates will drift modestly higher. We believe bonds will continue to provide a cushion during market pullbacks, supporting our neutral allocation recommendation overall. We recommend overweighting U.S. high yield for higher income opportunities within fixed income.

Cash (Target = Middle): Cash is unlikely to keep up with inflation but can provide a source for investment during pullbacks.