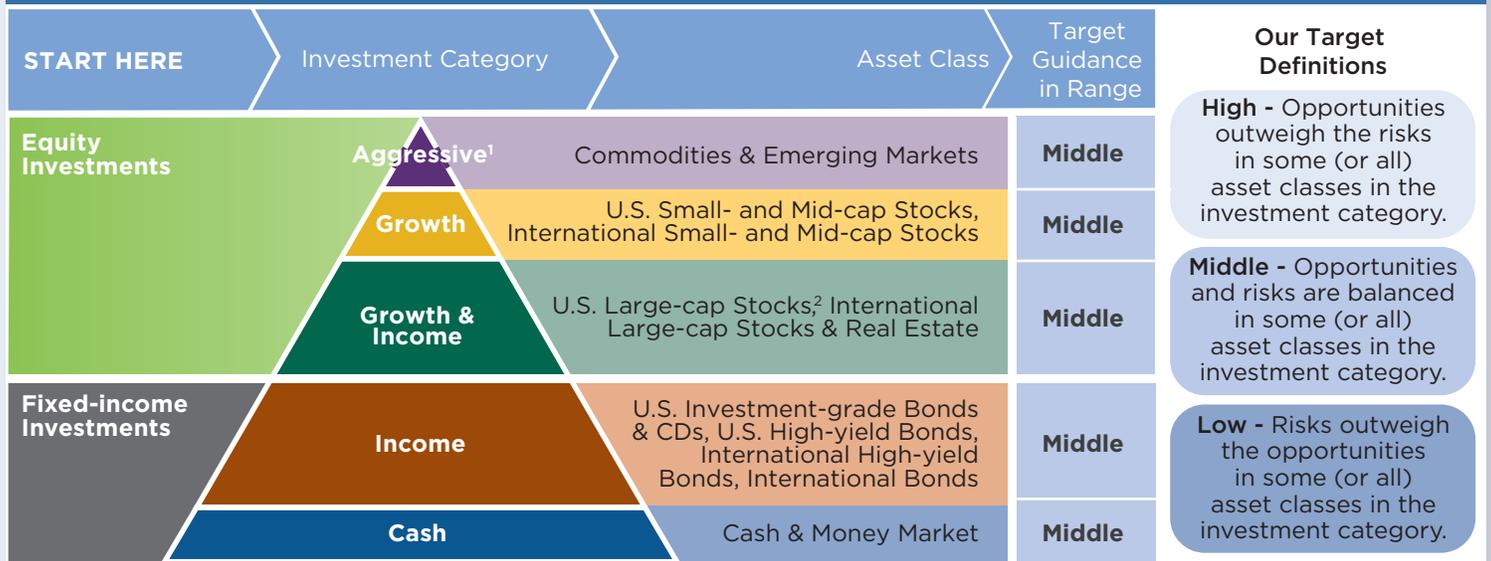


Target Guidance by Investment Category



¹ Alternative investments and stocks trading less than \$4 align with the Aggressive investment category, but they are not recommended.

² Large-cap stocks that do not pay a dividend are in the Growth investment category.

Asset classes we don't recommend separately include alternative investments and micro-cap equities.

QUARTERLY MARKET OUTLOOK: THIRD QUARTER 2020

Asset Class Outlook

Equity versus Fixed Income (Target = Middle) – Given the high level of economic and corporate earnings uncertainty, we recommend a neutral allocation between equity and fixed income. A laddered bond portfolio and an average amount in cash may help provide downside protection for portfolios when markets are volatile.

Domestic versus International (Target = Middle) – We recommend a neutral allocation to international equities (including emerging-market stocks) and underweighting international fixed income. Global growth will likely take a material hit in Q2, but we believe output can start recovering in the second half of the year, assuming progress on virus containment. While international equities are trading at discounted (favorable) levels compared to history and relative to U.S. equities, there is now little margin or earnings advantage internationally.

Asset Class Diversification

Aggressive (Target = Middle): We remain cautious on commodity investments and recommend a neutral allocation to emerging-market equities, as their exposure to secular tailwinds such as favorable demographics is balanced by their sensitivity to trade and commodity demand.

Growth (Target = Middle): Opportunities and risks appear balanced for U.S. small- and mid-cap stocks and international small-cap stocks as concerns about a sharp decline in economic activity are largely reflected in the price.

Growth & Income (Target = Middle): We think risks and opportunities are balanced for real estate investments and U.S. large-cap stocks. We recommend weighting international developed-market large-cap equities in the middle of the recommended range of international equity holdings because the sudden slowdown brought on by the COVID-19 pandemic has hit the reset button on global economic cycles, putting the U.S. and global economies all back in the early stages of emerging from recession toward their respective recoveries.

Income (Target = Middle): Long-term interest rates are likely to stay low for longer until disinflationary pressures from the slump in economic activity subside. The aggressive-income target is high because we recommend overweighting U.S. high-yield bonds as interest rate spreads have risen to levels that have historically corresponded to positive forward relative returns versus investment-grade bonds.

Cash (Target = Middle): Real cash returns are negative and are likely to remain less attractive relative to bonds as the Fed maintains a 0% policy rate and seeks to keep longer-term rates low in support of an economic recovery.

Investors should understand the risks involved in owning investments, including interest rate risk, credit risk and market risk. The value of investments fluctuates, and investors can lose some or all of their principal. The prices of small-cap, mid-cap and emerging-market stocks are generally more volatile than those of large-company stocks. Special risks are inherent in international and emerging-market investing, including those related to currency fluctuations and foreign political and economic events.