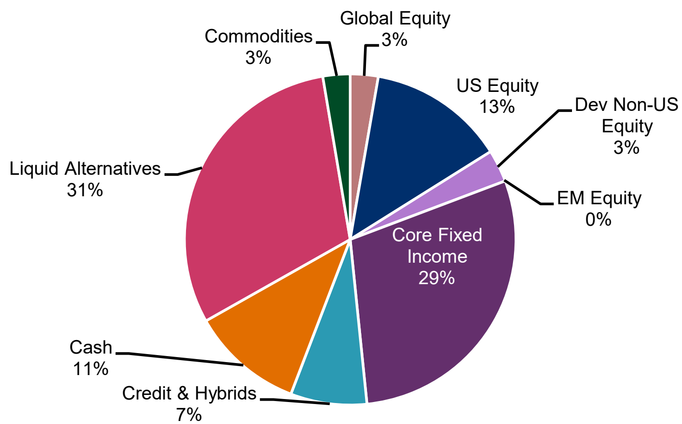
Dynamic Multi-Asset Strategy – Portfolio Update

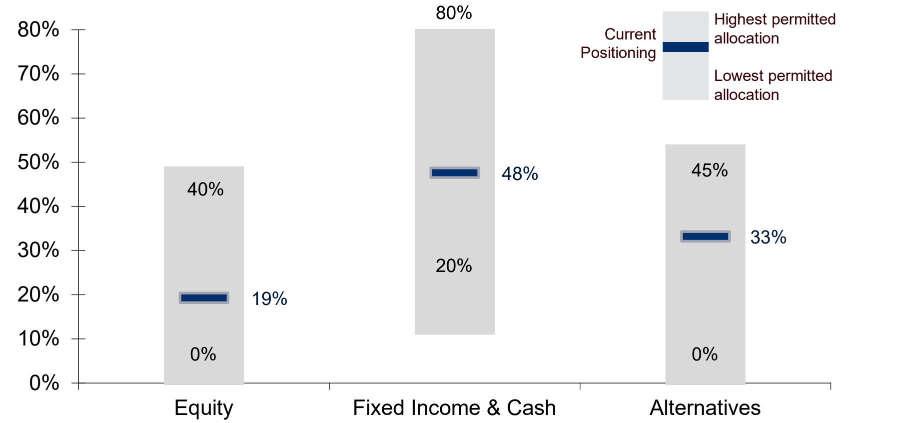
Q3 2022

Dynamic Multi-Asset Strategy: Allocations and Characteristics

DYNAMIC MULT-ASSET STRATEGY ALLOCATION POSITIONING



POSITIONING RELATIVE TO PERMITTED ALLOCATIONS*



VIEWS DRIVING CURRENT POSITIONING

Equities lack "right-tail" in the near-term

- No large upside case for equities until inflation cools and we get a change in Fed reaction function
- Keeping "below average" level of risk until resolution of above two risks or material correction

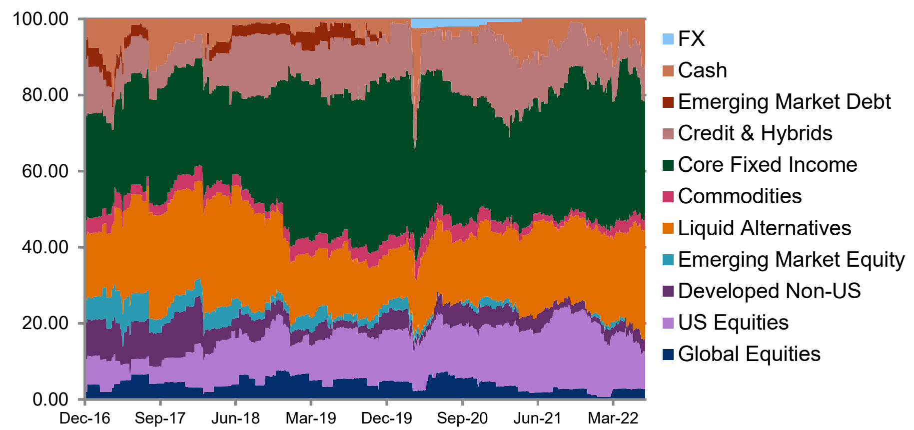
The "higher inflation regime" trade has yet to fully play out

- While fixed income markets have repriced, equities may not be fully appreciating a regime where inflation is no longer consistently sub-2%
- Keep higher weighting in defensive and value equities and lighter in growth
- Own commodities

Bond market may keep pricing more hikes until stocks have a more material sell-off

- Stay shorter duration, but take duration risk further out on curve

PORTFOLIO WEIGHTS OVER TIME



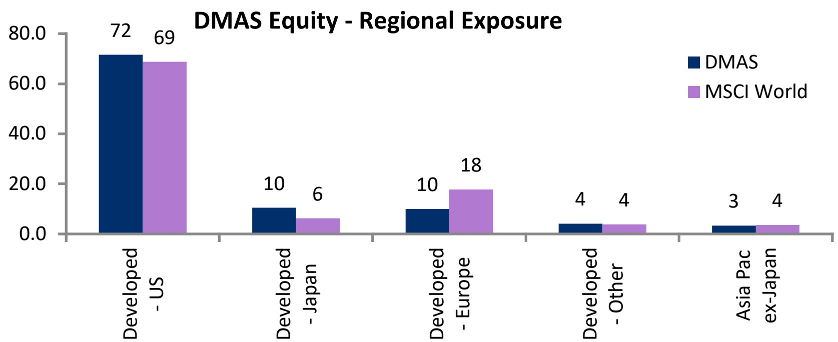
Based on Dynamic Multi-Asset Strategy model that includes JPM funds. Version that excludes JPM funds may differ.
Source: J.P. Morgan as of 6/30/22.

*Equity exposure includes half of the hedge equity position in the portfolio

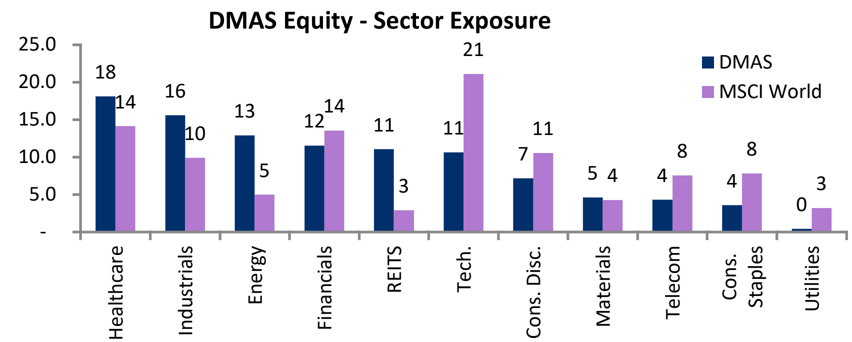
Dynamic Multi-Asset Strategy: Allocations and Characteristics

EQUITY CHARACTERISTICS[1]

Regional Exposure as a percentage of total equity

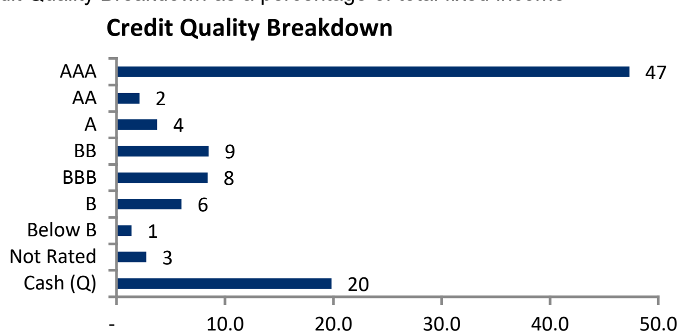


Sector Exposure as percentage of total equity



FIXED INCOME CHARACTERISTICS[2]

Credit Quality Breakdown as a percentage of total fixed income



PORTFOLIO STATISTICS[3]

Estimated Yield – Portfolio Level	1.8
Estimated Yield – Fixed Income	3.3
Duration – Fixed Income	4.2
Avg Mgr Expense Ratio	0.49

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[1] Equity Characteristics reflect the characteristics of our equity allocation, grossed up to 100%, Data as of 06/30/2022
[2] Fixed Income Characteristics reflect the characteristics of our fixed income & cash allocation, grossed up to 100%, Data as of 06/30/2022
[3] The Estimated Yield – Portfolio Level refers to the weighted average of the SEC Yields (Fixed Income Managers) & Net Dividend Yields. Fixed Income Yield refers to the yield on the Fixed Income & Cash allocation of the portfolio. Duration is the weighted average duration of the underlying funds. Average Manager Expense Ratio refers to the current weighted average underlying expense ratios. Expense Ratios are subject to change as allocations & underlying managers change.

Dynamic Multi-Asset Strategy: Key Q2 Tactical Trades

DATE	BUY	SELL	TRADE RATIONALE
June 2022	Treasuries Aerospace & Defense Floating Rate Bonds Inflation Beneficiaries ETF Macro Liquid Alternatives European Financials U.S. Energy U.S. Health Care Commodities Hedged Equity Preferred Securities	High Yield Munis Short Duration Core Fixed Income Mortgages Active Growth Managers U.S. Financials U.S. Utilities Germany Preferreds Transports Medical Devices U.S. Tech	The DMAS Team has been active to help protect assets during this volatile period for markets. Since Thanksgiving of last year, the team has been reducing risk in your portfolio in preparation for what they viewed as a potentially challenging 2022 for markets. This has included: • Reducing equity beta by ~13 pts since Thanksgiving (0.38 to 0.25) – DMAS is running with its lowest risk level since March 2020 • -10% out of equities (Equities make up just ~16% of the portfolio today, also the lowest since March 2020) • +8% into Commodities, U.S. Energy, Inflation Beneficiaries ETF, macro liquid alternatives, and Aerospace & Defense equities • Overall, DMAS' equities are tilted more heavily into value versus growth (only own one dedicated growth manager today) • +11% into intermediate and long-term treasuries (DMAS duration ~4.2 yrs today) • Up to 13% cash at peak (March 4th), now sitting at ~11% of the portfolio • Within equities, the team reduced higher-risk positions like Active Growth Managers, U.S. Financials, U.S. Tech and Germany to become more defensive. • Within fixed income, the team began extending duration after bond yields moved sharply higher. • The team net added to the liquid alternatives allocation, specifically commodities and macro liquid alternatives (which are long commodities) in order to hedge against continued inflationary pressure and/or escalation of the war in Ukraine. • The team sees the risk/reward in JPM Hedged Equity and credit improving compared to outright equities and as such they are reducing the passive S&P 500 exposure for a combination of both in a risk neutral way • Further reductions of risk, specifically out of developed non-US following weak PMI data which the team views as further confirmation of slowing growth in Europe. Added to positions in more defensive US Healthcare, a sector where the team has conviction in attractive valuations - with what we believe are fewer risks to earnings

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We continue to focus on positions that play distinct roles in our allocation

Return Seeking	**Upside participation for a bear market rally**	Positions in unique asset classes and strategies that offer attractive up/down capture versus broad equities *Positions: JPM Hedged Equity*	**11% of portfolio**
	Growth stocks boosted by low rates and a changing economy	US growth provides secular growth with less cyclical sensitivity *Positions: JPM Large Cap Growth*	**3% of portfolio**
	Pricing power in a supply constrained environment	Areas that could outperform on a continued economic recovery and modest rise in interest rates Positions: US Health Care (Passive), Neuberger Berman Genesis, U.S. Aerospace and Defense (Passive), JPM Equity Premium Income	**7% of portfolio**
	Value stocks correlated to higher rates	Companies that had meaningfully underperformed in the sell-off Positions: Oakmark US, CRM Long/Short, Hartford International Value, Japan (Passive), Currency Hedged EAFE (Passive)	**6% of portfolio**
	Assets levered to higher inflation and slowing growth	Areas in the markets that help cover increasing Inflation and slow growth factors. Positions: PGIM Real Estate, U.S. & Global Energy (Passive), Inflation Beneficiaries (Passive), Invesco Commodities, PIMCO Commodities Plus Strategy, Residential REITs, Short and Intermediate term TIPS	**9% of portfolio**
	Sources of yield for a high volatility regime	Companies that offer yield during a high volatility period Positions: Blackrock Event Driven, T.Rowe Price Floating Rate, Nuveen Preferred Securities, JP Morgan Income, PGIM Short Duration High Yield	**17% of portfolio**
Portfolio Protection	**Slow growth protection**	Mortgages and treasuries provide an efficient means of duration exposure, which should help protect the portfolio in an adverse market scenario *Positions: Treasuries (Passive), JPMorgan MBS, PGIM Total Return*	**20% of portfolio**
	Stagflation Protection	Protection against Stagflation *Positions: Interest rate Vol & Inflation Hedge, John Hancock Diversified, American Beacon AHL Managed Futures*	**7% of portfolio**
Cash	**Cash**	Dry powder to deploy as opportunities arise *Positions: Cash*	**15% of portfolio**

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Dynamic Multi-Asset Strategy

YTD 2022 Commentary

Things that have worked this year:

- **Acting to reduce risk in the portfolio since Thanksgiving:** Trades to reduce risk since Thanksgiving (portfolio-level beta has been lowered from 0.38 to 0.25) have saved 500+ basis points of performance. The team was early to highlight risks from hawkish central banks and cut risk substantially. The team continues to maintain a below average level of equity beta, appropriate for an environment where the Fed is actively seeking tighter financial conditions and growth is slowing.
- **Alternatives**: Inclusive of commodities, DMAS Alts were down in 1H but outperformed stocks and bonds. Alternatives have protected the portfolio against the two primary risks that have simultaneously hurt markets in 2022, excessive inflation and the war in Ukraine. Positions include commodities, macro liquid alternatives managers, and options-based equity strategies.
- **Fixed Income:** DMAS' fixed income has outperformed most major fixed income indices. There is now enough yield cushion to absorb further volatility, and carry should help claw back returns over the next quarters. The team has kept duration relatively light at 4-4.5 years but have leaned into some positions further out the curve which benefit in a curve flattening environment. DMAS continues to run with light credit risk and has an above-average cash allocation at 9%, which was down from highs in the double-digits for much of the first quarter.

Things that have not worked this year:

- **Selection within equities:** DMAS' equity allocation has trailed global developed equities YTD. The speed of the rate move has hurt some of the team's growth-oriented positions, specifically active growth investments in Polen and Edgewood, both of which the team has since exited. Proceeds have been diversified into equity positions more focused on defensive and value exposures. The remaining growth exposure in the portfolio is JPMorgan Large Growth, where the manager is taking a more defensive approach within the growth universe. Additionally, positions in more cyclical parts of Europe (European financials ETF, Hartford International Value, and passive Germany) detracted from returns earlier in the year as they sold off following the unexpected invasion of Ukraine. The team quickly reduced the size of their position in Europe upon Russia's invasion, which has served to save performance since that time.
- **Adding a half year of duration towards the end of 2021:** While we maintain a relatively low level of duration overall (~4-4.5 years on the fixed income portfolio, and ~2 years for DMAS overall), the team did not fully anticipate the speed of the rate moves we've observed YTD. The additional duration has detracted from performance.

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Dynamic Multi-Asset Strategy

Manager Outlook as of June 30, 2022

- The DMAS Team acknowledges that the macro-outlook remains highly uncertain, and they place nearly equal weights on the three scenarios below. Overall, a recession is more likely than not, but DMAS has positions in the portfolio that will benefit in either recessionary outcome: one with low inflation (bonds work), or one where inflation stays elevated (commodities, cash, liquid alts work). **The team believes that equities will be higher a year from now in the middle and-left hand scenario,** although equities may go down first in the near-term in the “ice recession” case. As such, the team remains cautiously positioned, with their lowest equity allocation (15%) since inception.

Recession case: “Ice” – Fed overtightens ~35% chance

- Rates are already in restrictive territory, and we enter a “Fed-induced” recession with lower inflation.

– Stocks **+ Bonds**

Assets in DMAS that do well in this environment:
- Treasuries
- IVOL
- Defensive equities (relative to broad market and growth equities)
- Cash

Non-Recession case ~35% chance

- The Fed is able to engineer a soft-landing, although bond yields remain around current levels, capping multiple expansion in equities.

+ Stocks **+ Bonds**

Assets in DMAS that do well in this environment:
- Equities and credit generally
- Hedged equity (high up-capture)

Recession / Temporary Stagflation case: “Fire” – Higher Inflation and Rates ~30% chance

- Inflation remains high or continues rising despite the tightening we’ve already seen in financial conditions.

– Stocks **– Bonds**

Assets in DMAS that do well in this environment:
- Macro liquid alts
- Commodities
- Value/defensive equities (relative to broad market and growth equities)
- Inflation-sensitive equities: INFL, Energy
- Cash

- If things change – for the worse or for the better – DMAS has the flexibility to manage accordingly, by either taking up or down overall portfolio risk, getting more aggressive or more defensive *within* equities and fixed income, and leaning more or less on their liquid alternatives allocation, which can provide different return and risk outcomes than stocks or bonds.

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MSCI WORLD INDEX: The MSCI World Index is a free-float-adjusted market capitalization index that is designed to measure equity market performance in the global developed markets. (Source: MSCI Barra)

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