



**Market**

**WISE**

January 2022 Edition

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INVESTMENTS | FINANCIAL PLANNING | TAX | PRIVATE TRUST | RETIREMENT PLANS

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# Wise Words

## Current Events and the Economy

- The pace of vaccinations has slowed across the U.S. but roughly 60% of the population is fully vaccinated. As the Omnicrom variant spreads, new Covid cases are at all-time highs, but fortunately, deaths still remain below January 2020 highs, possibly a sign this variant may be less severe.
- On the economic front, U.S. Real GDP rose at an annualized pace of +4.9%. Inflation, measured by CPI, rose 7.0% year-over-year which is the highest inflation number since 1982, with many inflation categories (energy prices, used cars, and lodging away from home) continuing to accelerate higher. The global supply chain has been severely disrupted by Covid-19, when that problem will be fixed is unknown, but when it normalizes it will go a long way to curbing inflation.
- The housing market remains hotter than any time in recent history. Record low inventory from a decade of underbuilding, low mortgage rates and government stimulus are putting upward pressure on prices. Per S&P Case-Schiller data, U.S. home prices are up 19% versus last year, the largest increase in more than 20 years.

## Asset Performance

- Equity markets had a great year. US Small Value (+30.9%) stocks led the way followed by US Large Value (+28.0%) and US Large Core (+26.3%) while most other equity asset classes finished up double digits or high single digit percentages. The lone negative returning equity asset class was Emerging Markets (-2.4%) which grappled with significant underperformance in Chinese stocks, which represent roughly 35% of the Emerging Market index.
- Bonds were mixed. The US bond market finished down 1.5% in 2021, its first down year since 2013 and only the 4th negative yearly return since inception of the Barclays Agg Index in 1976. However, inflation-adjusted bonds (+6.3%) had one of their best years in recent memory and served as a good reminder in the importance of diversifying your bonds.
- Alternatives had a strong year. Real Assets (+15.7%) led the way followed by strong performance in Trend Following (+7.4%) and Reinsurance (+5.0%).

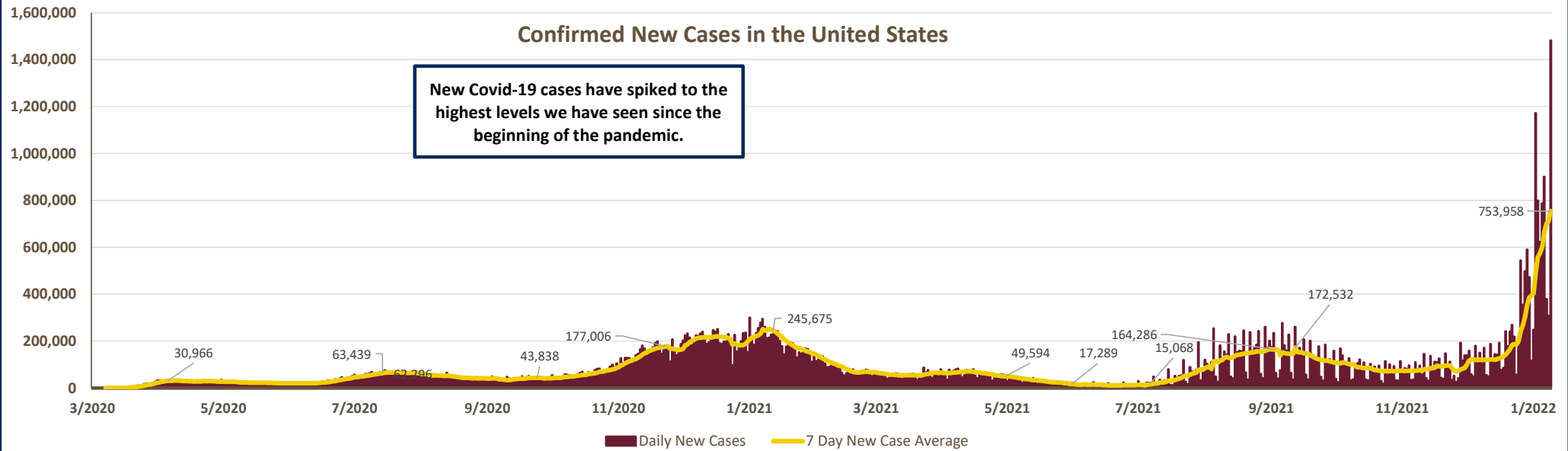
## Perspective

- Despite the strong run in recent months, U.S. value stocks are trading at their cheapest level since World War II excluding the dotcom bubble. Historically, extreme levels of cheapness have preceded periods of strong outperformance for value stocks relative to growth stocks. There's reason to believe 2021's value stock performance won't be a one hit wonder.
- Historically, commonly known factors such as size, value, quality, and momentum post positive returns about as frequently as stocks in general. Since factors tend to outperform and underperform at different times, diversifying across these factors may enhance risk-adjusted returns.
- Over shorter periods rebalancing may seem trivial, but it can add significant value over longer time horizons.

# Coronavirus

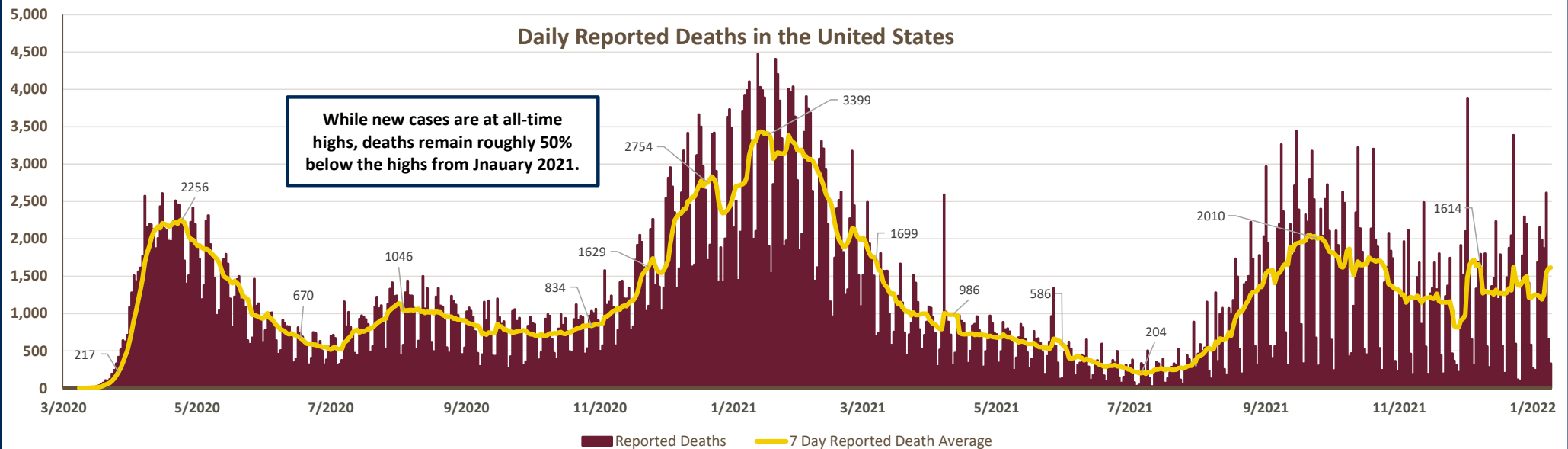
## Confirmed New Cases in the United States

New Covid-19 cases have spiked to the highest levels we have seen since the beginning of the pandemic.



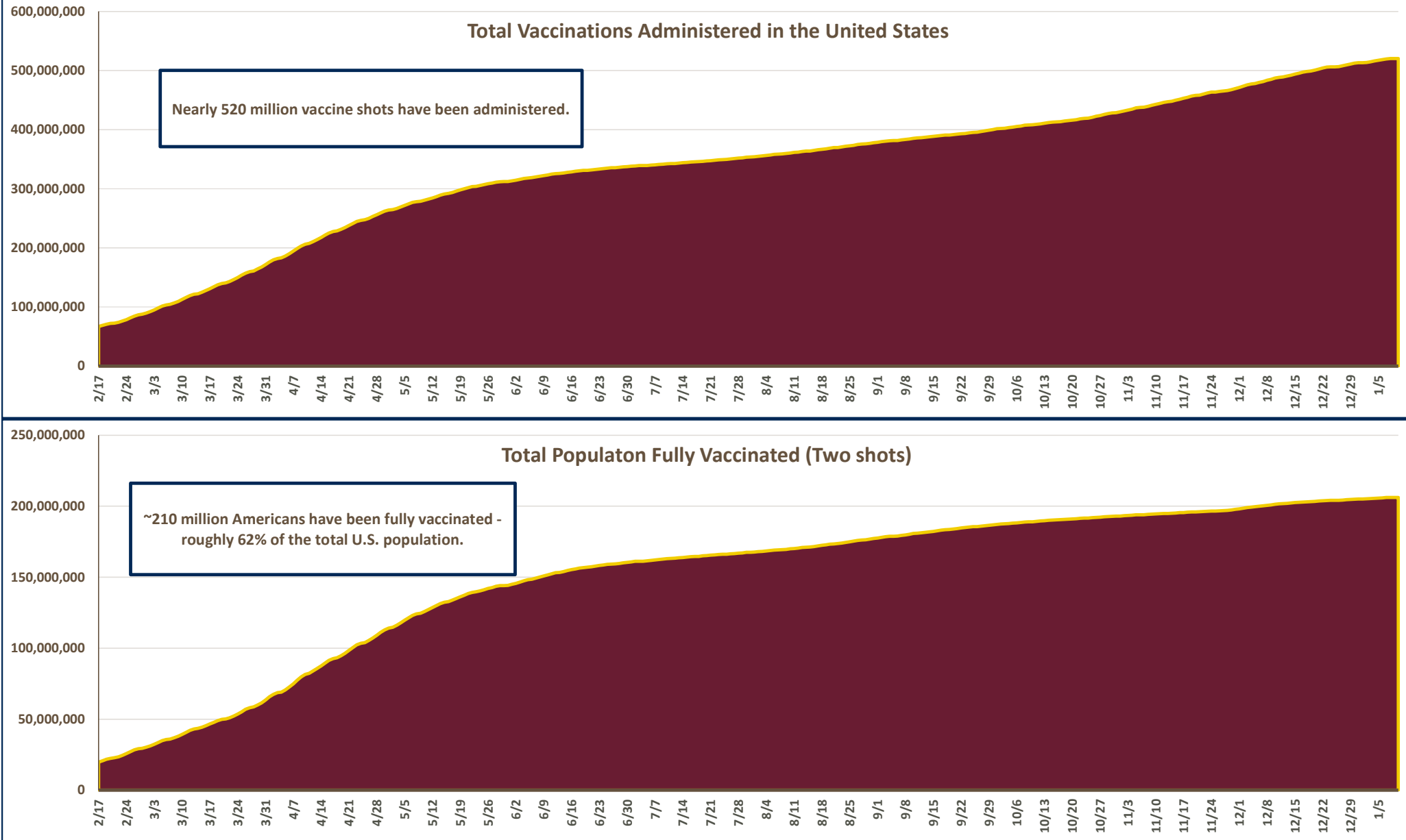
## Daily Reported Deaths in the United States

While new cases are at all-time highs, deaths remain roughly 50% below the highs from January 2021.



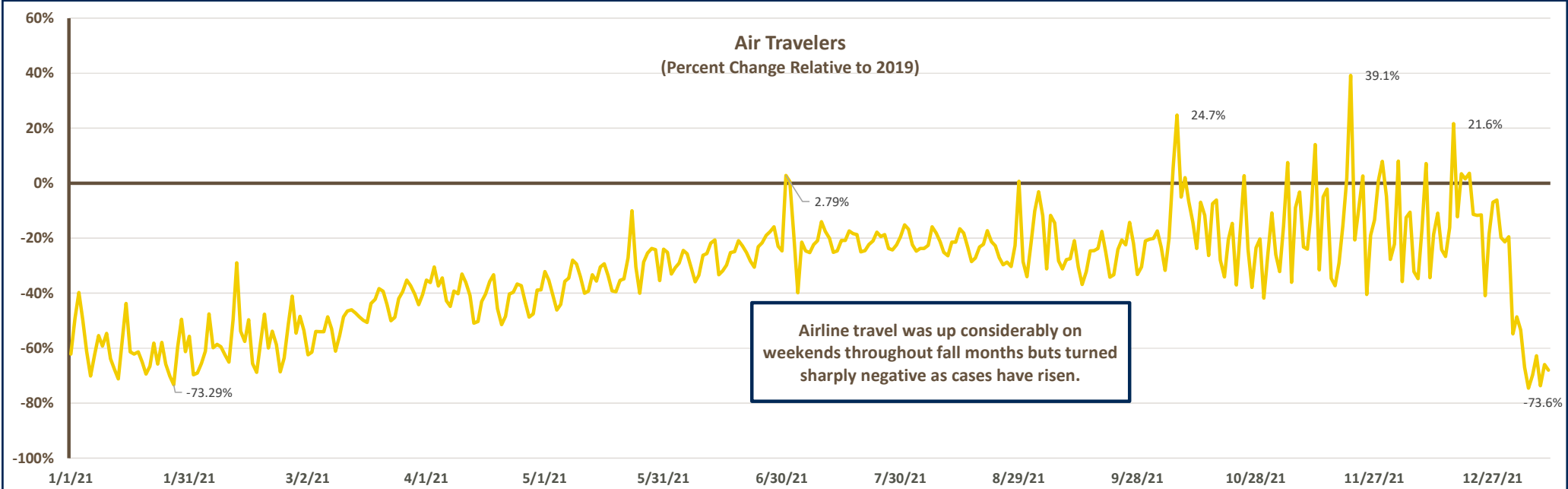
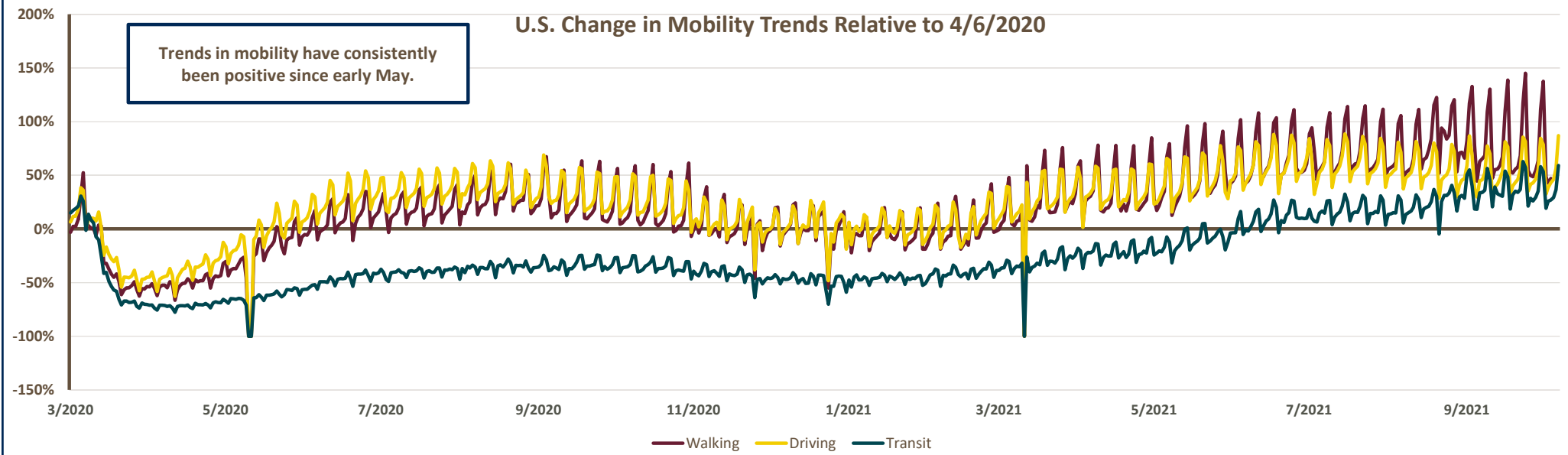
Data as of 1/10/2022. Data source: Johns Hopkins University Center for Systems Science and Engineering.

# COVID-19: Light at the End of the Tunnel



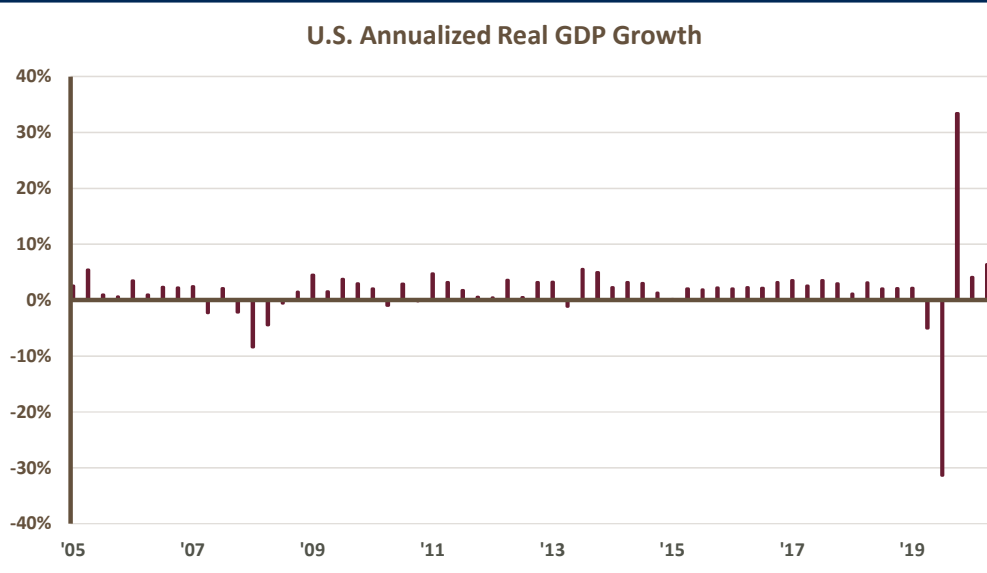
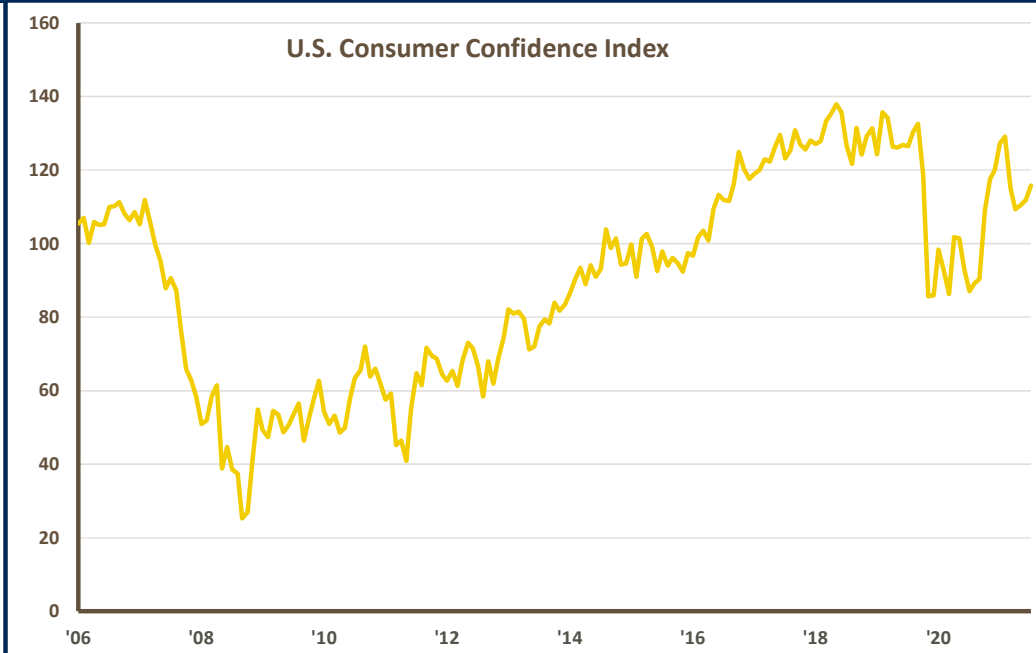
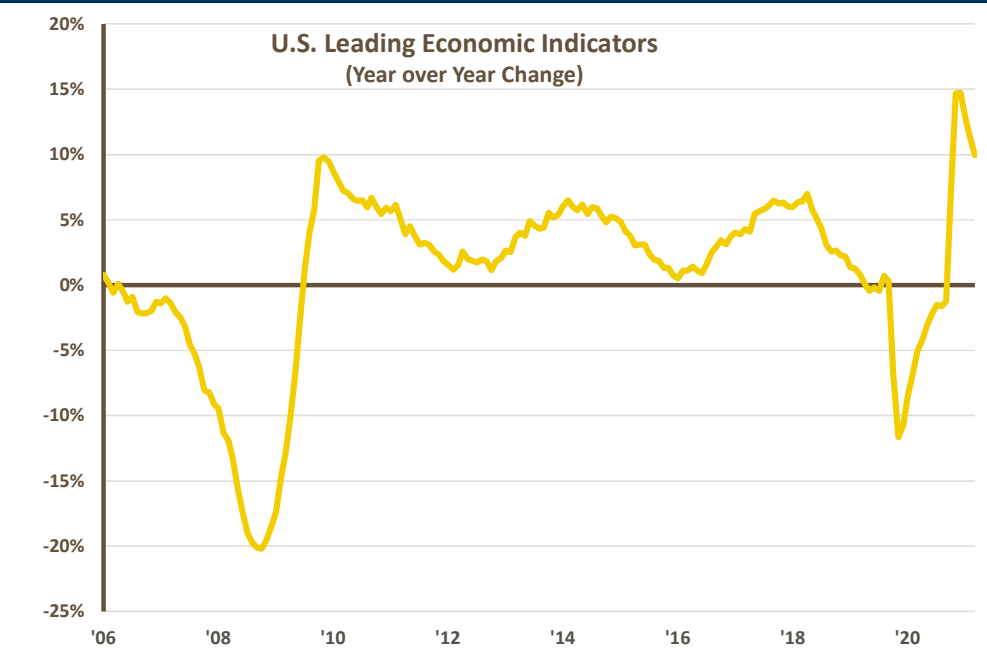
Data as of 1/10/2022. Data source: Our World in Data.

# On the Road Again



Data as of 1/10/2022. Data sources: Apple, TSA.

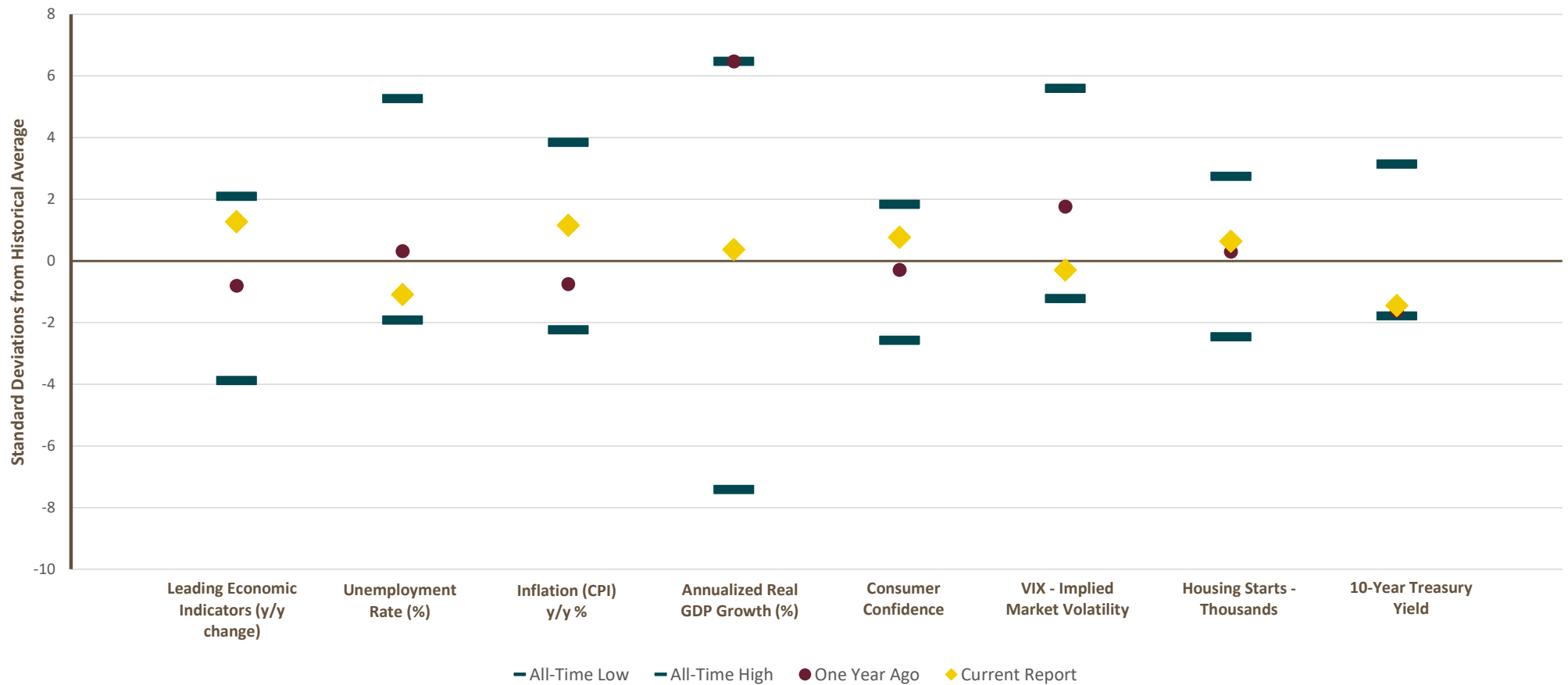
# Economic Indicators



Data as of 12/31/2021. Data sources: Morningstar Direct, FRED, The Conference Board.



## Economic Indicators: Relative to History

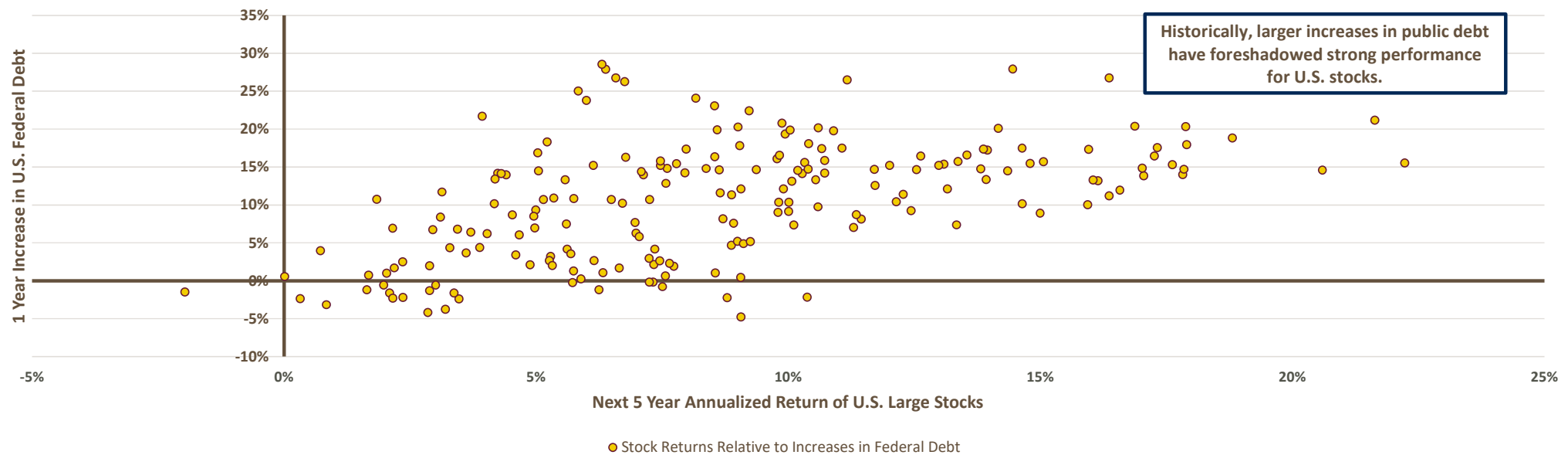
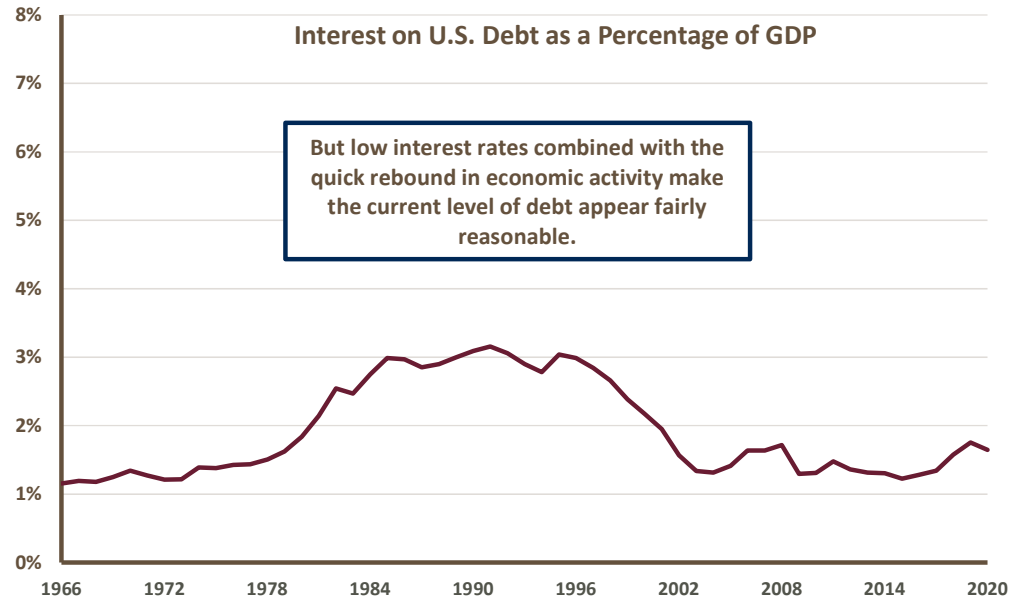
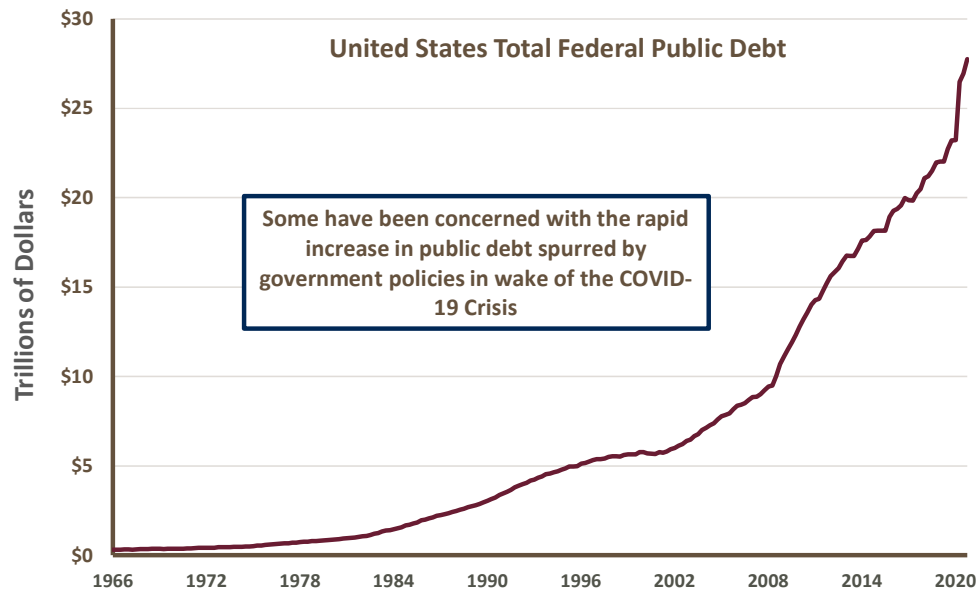


Economic Measure	All-Time Low	Historical Average	All-Time High	One Year Ago	Last Report	Current Report
Leading Economic Indicators (y/y change %)	-20.2%	2.5%	14.7%	-2.2%	10.0%	9.9%
Unemployment (%)	2.5%	5.8%	14.7%	6.3%	4.2%	3.9%
Inflation - CPI (y/y %)	-3.0%	3.5%	14.6%	1.3%	6.2%	6.8%
Annualized Real GDP Growth (%)	-31.4%	3.2%	33.4%	33.4%	6.7%	4.9%
Consumer Confidence	25.3	95.0	144.7	87.1	109.3	115.8
VIX - Implied Market Volatility	10.1	19.5	62.6	33.1	31.1	17.2
Housing Starts (Thousands)	478.0	1431.2	2494.0	1547.0	1502.0	1679.0
10-Year Treasury Yield (%)	0.6%	5.9%	15.3%	1.1%	1.4%	1.6%

Data as of 1/1/2022. Data sources: FRED, The Conference Board.



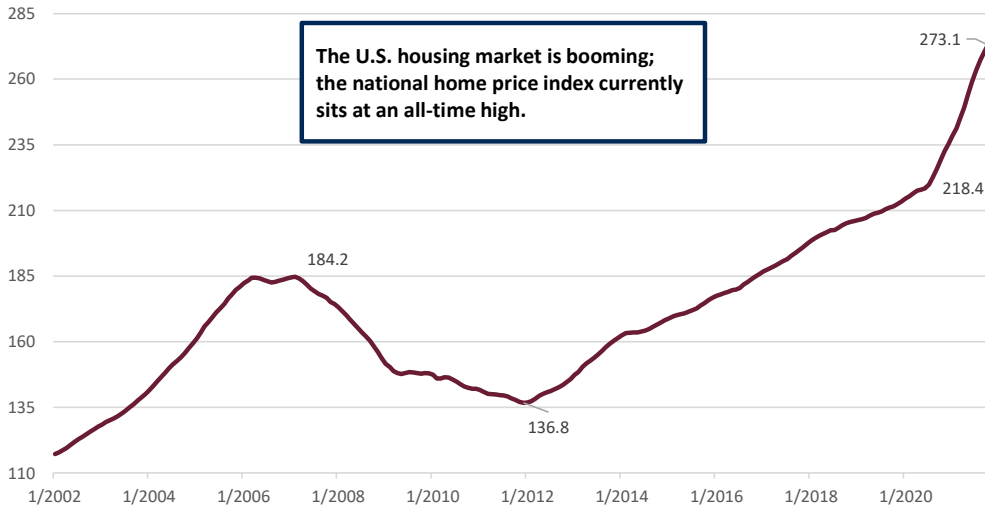
# The Pile of Debt



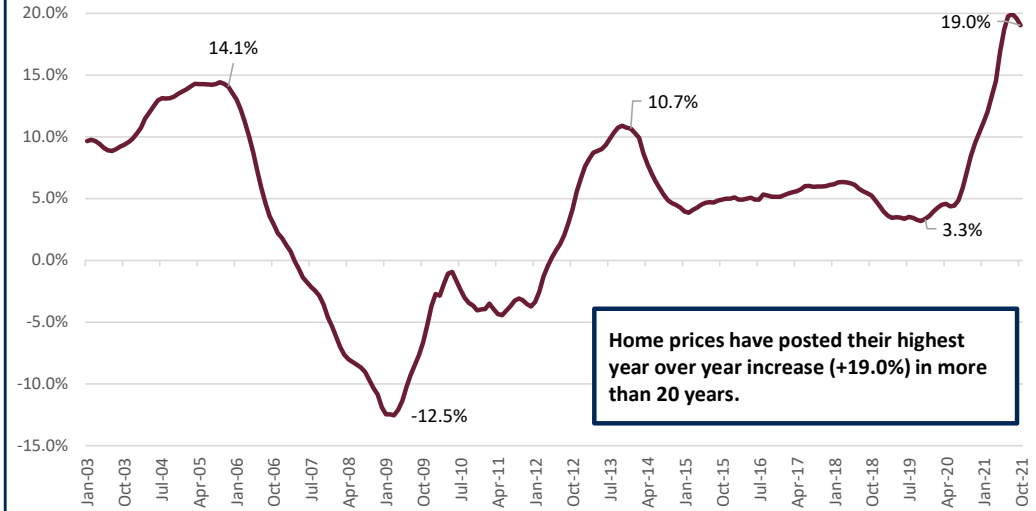
Data as of 12/31/2021. Data sources: FRED, Morningstar Direct. U.S. large stocks are represented by the IA SBBI US Large Stock Index.

# State of the Housing Market

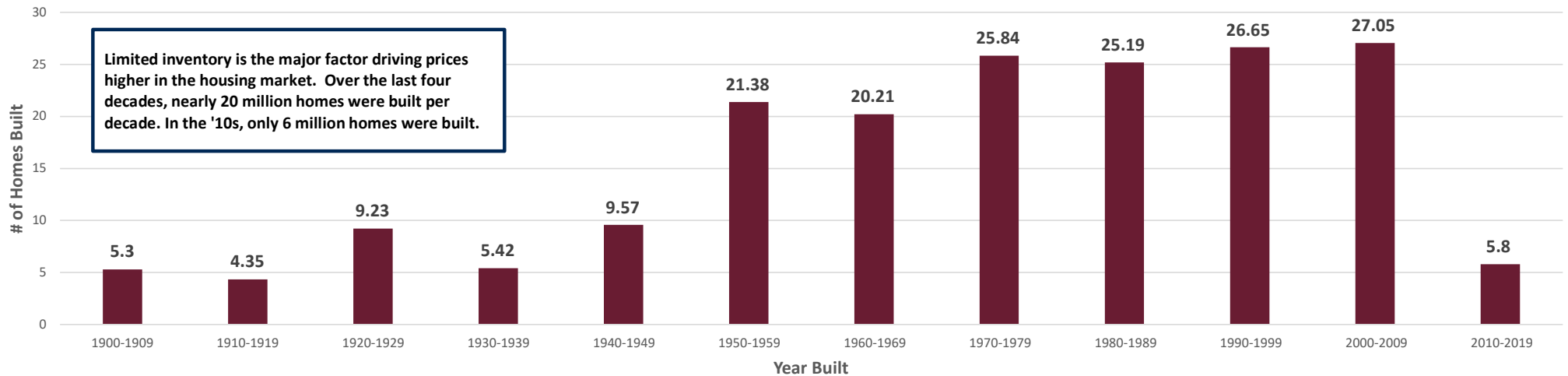
Case-Shiller National Home Price Index  
(Jan 2002 - Oct 2021)



Case-Shiller National Home Price Index  
(YoY Percent Change)



Number of Homes Built in U.S. by Decade  
(in Millions)



Data as of 12/31/2021. Data sources: Ycharts and Statista.

## The Changing Market Environment: From Best to Worst

Ticker	Sector	2021 Return	2021 Rank	2020 Return	2020 Rank
XLE	Energy	53%	1	-33%	11
XLRE	Real Estate	46%	2	-2%	10
XLF	Financials	35%	3	-2%	9
XLK	Technology	35%	4	44%	1
XLY	Consumer Discretionary	28%	5	30%	2
XLB	Materials	27%	6	20%	4
XLV	Health Care	26%	7	13%	5
XLI	Industrials	21%	8	11%	6
XLU	Utilities	18%	9	1%	8
XLP	Consumer Staples	17%	10	10%	7
XLC	Communication Services	16%	11	27%	3

All 11 S&P 500 sectors finished with double-digit gains in 2021. The 3 worst performing sectors in 2020 (Energy, Real Estate, Financials) became the 3 best performers in 2021.

In previous years, Energy stocks had been "priced for death". In 2021, the two top performing stocks (Devon Energy & Marathon Oil) in the S&P 500 were both down more than 30% in 2020.

Meanwhile, some of the best performing individual stocks of 2020 became the worst performing stocks of 2021.

### Top 15 Performing Stocks: S&P 500 - 2021

Rank	Ticker	Name	Industry	2021 Return	2020 Return
1	DVN	Devon Energy Corp	Oil & Gas E&P	196%	-35%
2	MRO	Marathon Oil Corp	Oil & Gas E&P	150%	-50%
3	MRNA	Moderna Inc	Biotechnology	143%	434%
4	FTNT	Fortinet Inc	Software - Infrastructure	142%	39%
5	SBNY	Signature Bank	Banks - Regional	141%	1%
6	F	Ford Motor Co	Auto Manufacturers	137%	-4%
7	FANG	Diamondback Energy Inc	Oil & Gas E&P	127%	-46%
8	NVDA	NVIDIA Corp	Semiconductors	125%	122%
9	NUE	Nucor Corp	Steel	118%	-2%
10	IT	Gartner Inc	Information Technology Services	109%	4%
11	EXR	Extra Space Storage Inc	REIT - Industrial	101%	14%
12	SPG	Simon Property Group Inc	REIT - Retail	96%	-39%
13	APA	APA Corp	Oil & Gas E&P	91%	-44%
14	BBWI	Bath & Body Works Inc	Specialty Retail	129%	108%
15	EOG	EOG Resources Inc	Oil & Gas E&P	89%	-39%

### Worst 15 Performing Stocks: S&P 500 - 2021

Rank	Ticker	Name	Industry	2021 Return	2020 Return
500	PENN	Penn National Gaming Inc	Resorts & Casinos	-40%	238%
499	GPN	Global Payments Inc	Specialty Business Services	-37%	19%
498	LVS	Las Vegas Sands Corp	Resorts & Casinos	-37%	-12%
497	ATVI	Activision Blizzard Inc	Electronic Gaming & Multimedia	-28%	57%
496	MKTX	MarketAxess Holdings Inc	Capital Markets	-28%	51%
495	CTXS	Citrix Systems Inc	Software - Application	-26%	19%
494	VTRS	Viatis Inc	Drug Manufacturers	-26%	-7%
493	WYNN	Wynn Resorts Ltd	Resorts & Casinos	-25%	-18%
492	IPGP	IPG Photonics Corp	Semiconductor Equipment & Materials	-23%	54%
491	FIS	Fidelity National	Information Technology Services	-22%	3%
490	DISCA	Discovery Inc	Entertainment	-22%	-8%
489	TWTR	Twitter Inc	Internet Content & Information	-20%	69%
488	TFX	Teleflex Inc	Medical Instruments & Supplies	-20%	10%
487	PYPL	PayPal Holdings Inc	Credit Services	-19%	117%
486	NCLH	Norwegian Cruise Line	Travel Services	-18%	-56%

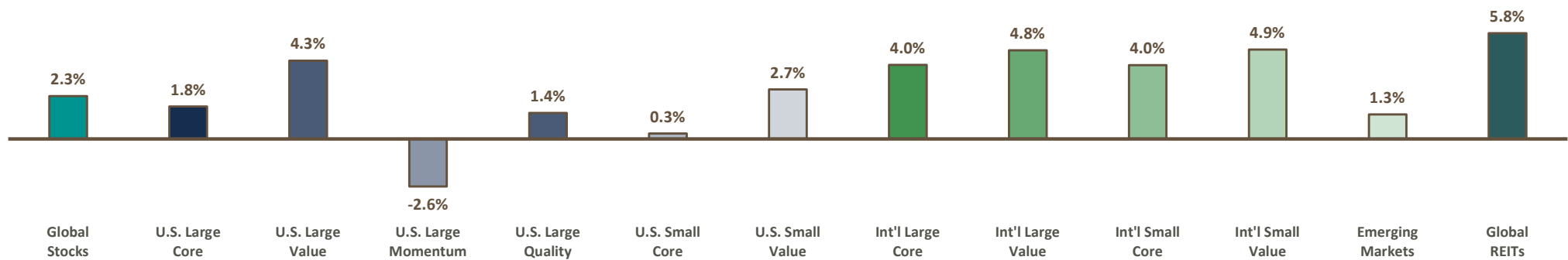
Data as of 12/31/2021. Data source: Morningstar Direct.

Inflation Heatmap													
Headline CPI: +7.0%, highest since 1982 Core CPI: +5.5%, highest since 1991													
Nov-21 Weight	Component	21-Dec	21-Nov	21-Oct	21-Sep	21-Aug	21-Jul	21-Jun	21-May	21-Apr	21-Mar	21-Feb	21-Jan
100.0	Headline CPI	7.0%	6.8%	6.2%	5.4%	5.3%	5.4%	5.4%	5.0%	4.2%	2.6%	1.7%	1.4%
14.0	Food	6.3%	6.1%	5.3%	4.6%	3.7%	3.5%	2.4%	2.2%	2.4%	3.5%	3.6%	3.8%
7.5	Energy	29.3%	33.3%	30.0%	24.8%	25.0%	23.8%	24.5%	28.6%	25.1%	13.1%	2.4%	-3.7%
78.5	Core CPI	5.5%	4.9%	4.6%	4.0%	4.0%	4.3%	4.5%	3.8%	3.0%	1.7%	1.3%	1.4%
3.8	Household Furnishing & Supplies	7.4%	6.0%	6.1%	4.8%	3.3%	3.0%	3.4%	3.7%	3.2%	2.8%	2.3%	2.4%
2.7	Apparel	5.8%	5.0%	4.3%	3.4%	4.2%	4.2%	4.9%	5.6%	1.9%	-2.5%	-3.6%	-2.5%
7.9	Motor Vehicles & Parts	11.3%	19.2%	16.5%	15.0%	17.2%	19.8%	20.3%	13.3%	9.2%	4.5%	4.2%	4.6%
	New Vehicles	11.8%	11.1%	9.9%	8.7%	7.6%	6.4%	5.3%	3.3%	1.9%	1.5%	1.2%	1.4%
	Used Cars & Trucks	37.3%	31.4%	26.5%	24.4%	32.0%	41.7%	45.2%	29.7%	21.0%	9.4%	9.3%	10.0%
1.5	Medical Care Commodities	0.4%	0.2%	-0.4%	-1.6%	-2.5%	-2.1%	-2.2%	-1.9%	-1.7%	-2.4%	-2.6%	-2.3%
2.0	Recreation Commodities	3.3%	4.0%	4.0%	3.5%	3.3%	3.2%	3.2%	3.5%	2.9%	0.8%	0.3%	-0.2%
0.5	Education Commodities	0.2%	0.9%	2.5%	2.6%	-0.5%	-0.2%	-1.2%	-1.4%	-2.2%	-4.9%	-2.7%	-1.9%
1.0	Alcoholic Beverages	2.3%	1.9%	2.2%	2.8%	2.6%	2.4%	1.9%	1.6%	1.9%	2.0%	2.0%	2.4%
1.5	Other Goods	4.6%	4.3%	4.5%	3.4%	3.4%	2.7%	2.5%	2.5%	2.3%	1.9%	2.1%	2.2%
32.4	Shelter	4.1%	3.8%	3.5%	3.2%	2.8%	2.8%	2.6%	2.2%	2.1%	1.7%	1.5%	1.6%
	Owners Equivalent Rent	3.8%	3.5%	3.1%	2.9%	2.6%	2.4%	2.3%	2.1%	2.0%	2.0%	2.0%	2.0%
	Rent of Primary Residence	3.8%	3.1%	2.7%	2.4%	2.1%	1.9%	1.9%	1.8%	1.8%	1.8%	2.0%	2.1%
	Lodging Away From Home	23.9%	22.2%	22.3%	17.5%	17.4%	21.5%	15.1%	9.0%	7.4%	-6.4%	-14.9%	-11.5%
1.1	Water/Sewer/Trash Collection	3.5%	3.5%	3.7%	3.7%	3.5%	3.7%	3.6%	3.4%	3.6%	3.5%	3.6%	3.6%
0.9	Household Operations	9.4%	8.4%	6.9%	6.6%	7.3%	7.0%	7.2%	8.3%	4.9%	4.3%	4.3%	4.7%
7.0	Medical Care Services	2.5%	2.1%	1.7%	0.9%	1.0%	0.8%	1.0%	1.5%	2.2%	2.7%	3.0%	2.9%
5.0	Transportation Services	4.2%	3.9%	4.5%	4.4%	4.6%	6.4%	10.4%	11.2%	5.6%	-1.6%	-4.4%	-4.0%
	Airline Fares	1.4%	-3.7%	-4.6%	0.8%	6.7%	19.0%	24.6%	24.1%	9.6%	-15.1%	-25.7%	-21.3%
3.7	Recreation Services	3.3%	2.8%	3.8%	3.5%	3.5%	3.7%	1.9%	0.6%	1.8%	1.2%	1.1%	0.3%
6.0	Education Services	1.7%	1.7%	1.7%	1.7%	1.3%	1.2%	2.4%	2.2%	2.0%	2.0%	2.1%	2.0%
1.6	Other Personal Services	4.3%	4.5%	4.1%	3.5%	3.6%	3.1%	2.5%	2.8%	3.0%	2.9%	2.2%	2.0%

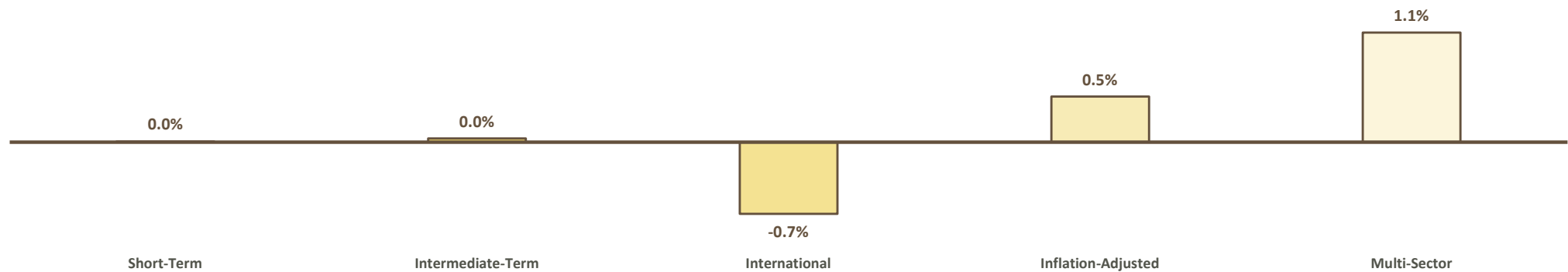
Data as of 1/12/2022. Data source: Bureau of Labor Statistics

## Asset Class Performance: Last Month

### Stocks



### Bonds



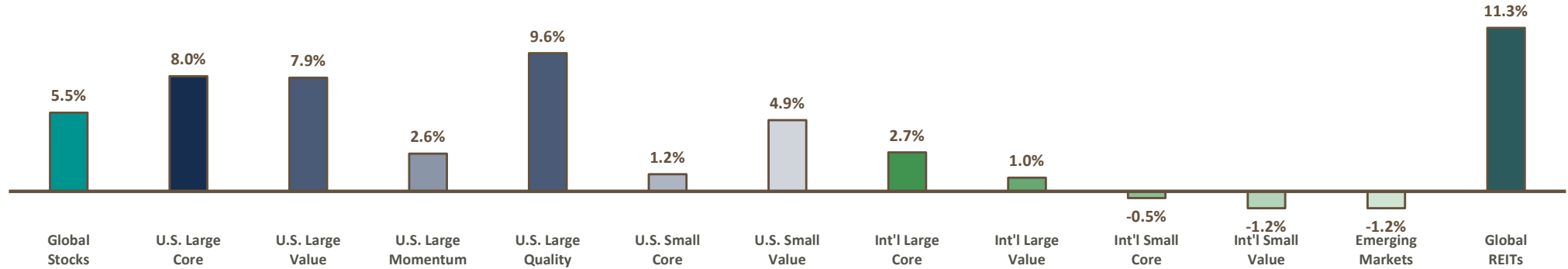
### Alternatives



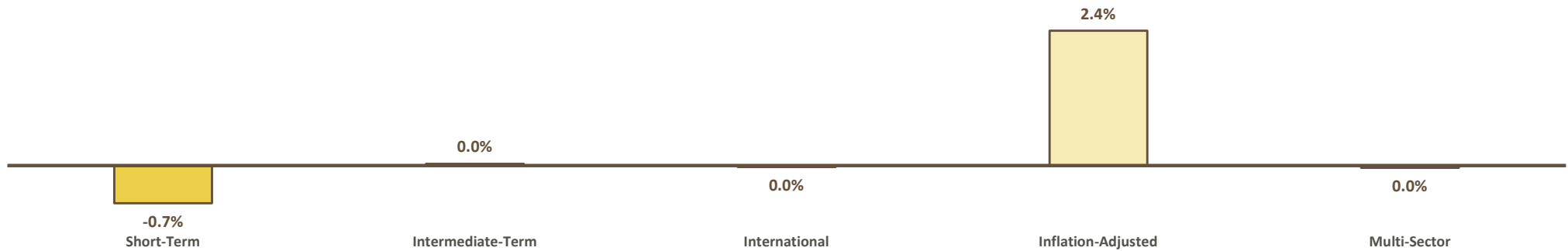
Data as of 12/31/2021. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

## Asset Class Performance: Last Three Months

### Stocks



### Bonds



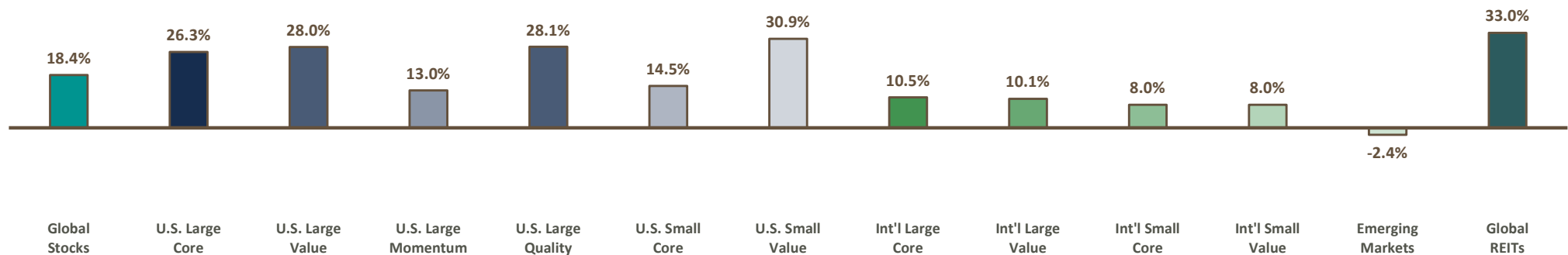
### Alternatives



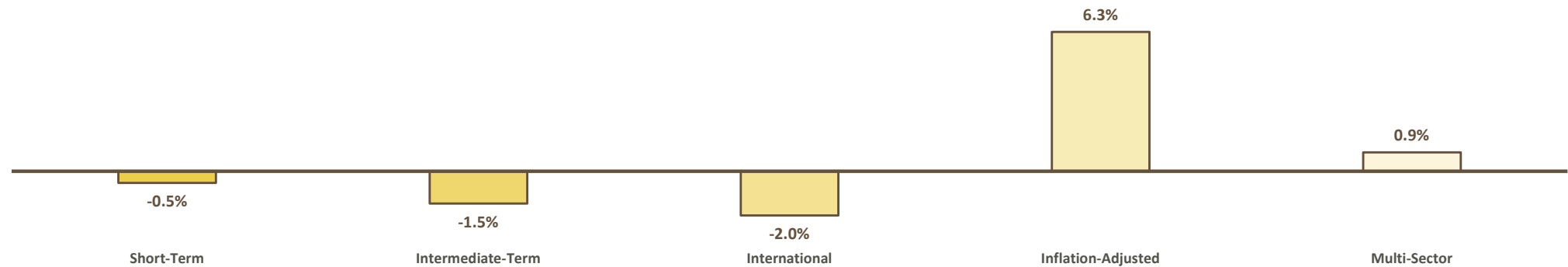
Data as of 12/31/2021. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

## Asset Class Performance: Previous 12 Months

### Stocks



### Bonds



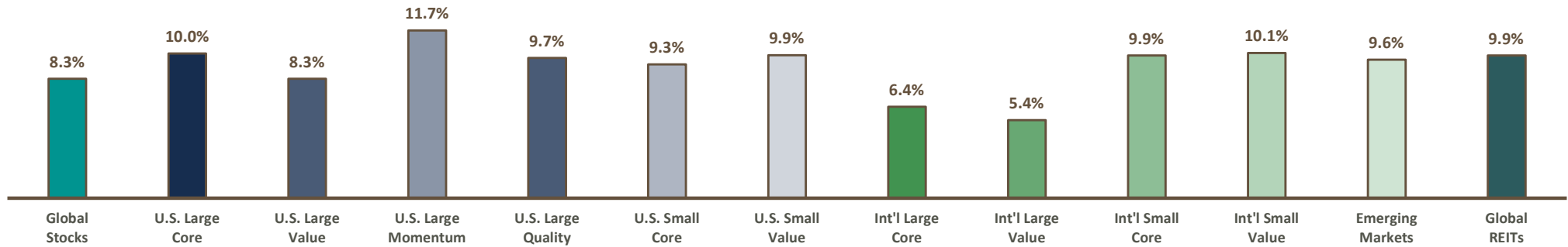
### Alternatives



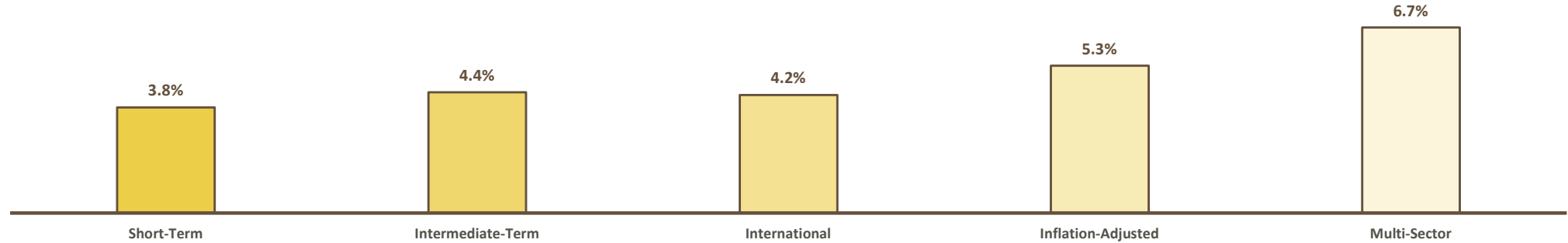
Data as of 12/31/2021. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

## Asset Class Performance for the Long Term Investor: Previous 20 Years

### Stocks



### Bonds



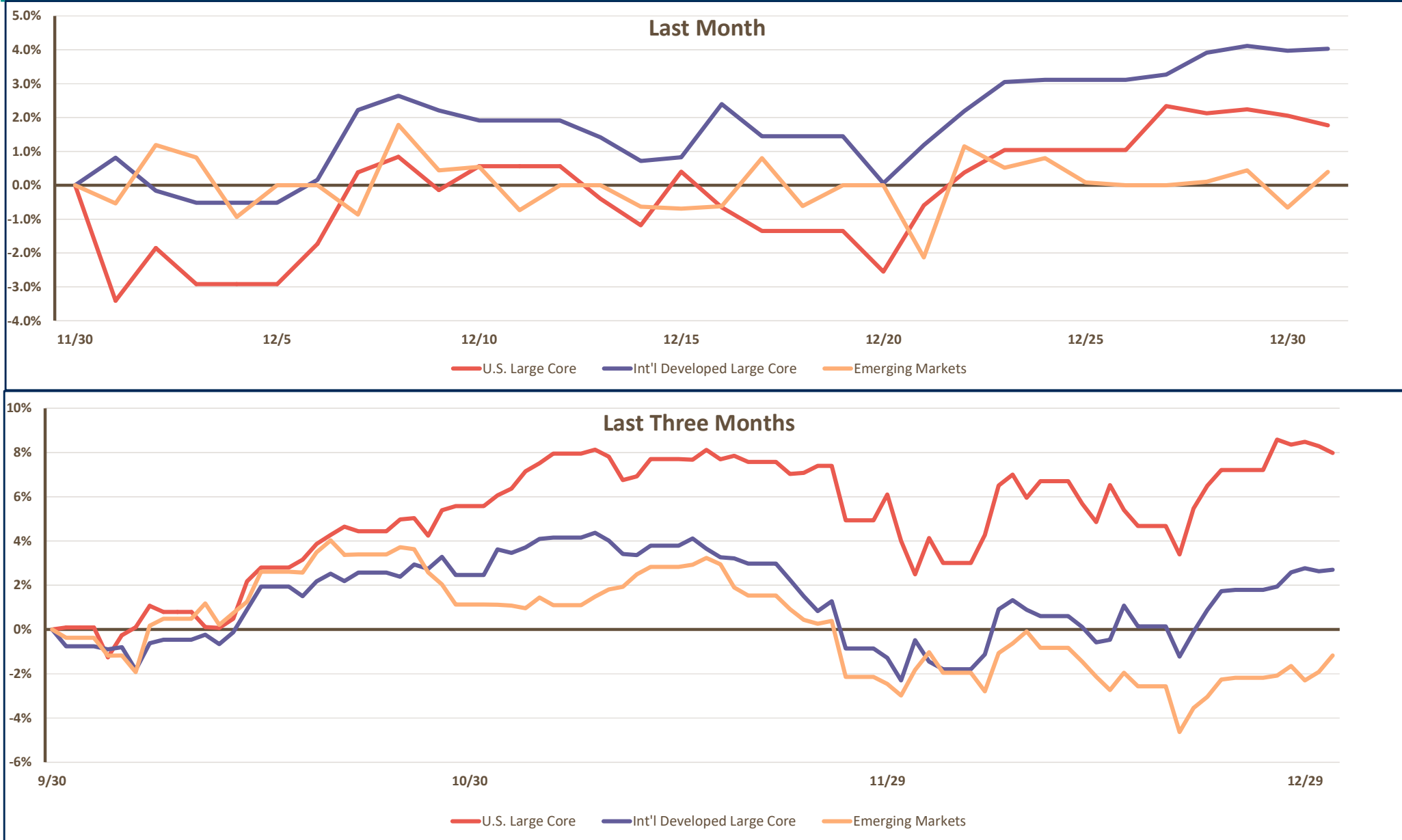
### Alternatives



Data as of 12/31/2021. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.



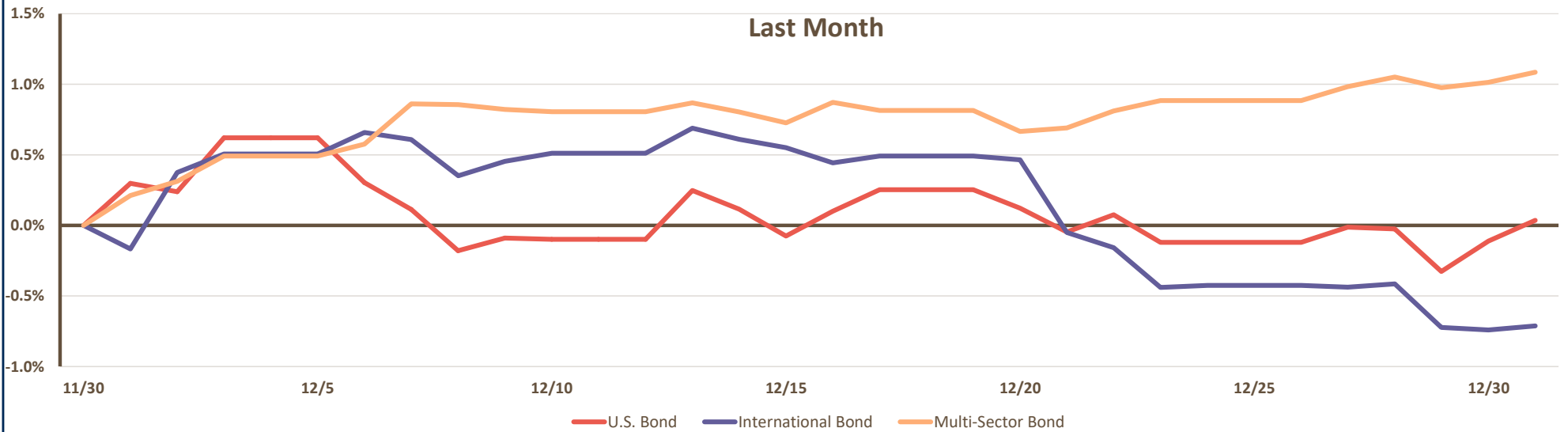
# Equity Performance Tracker



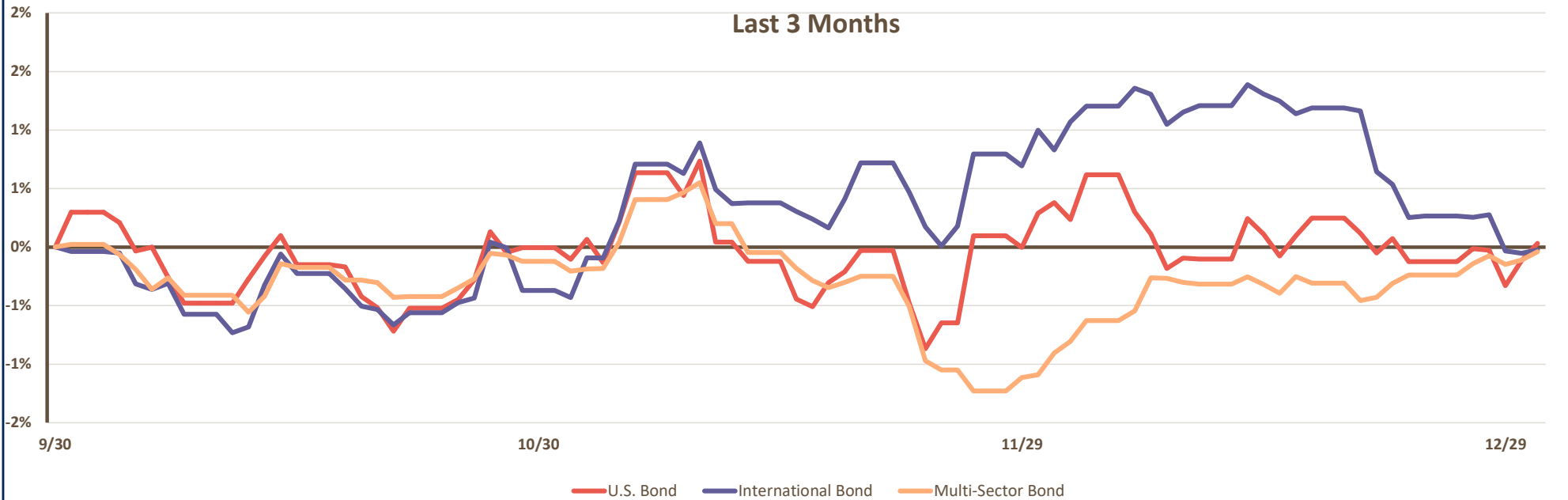
Data as of 12/31/2021. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

# Fixed Income Performance Tracker

## Last Month



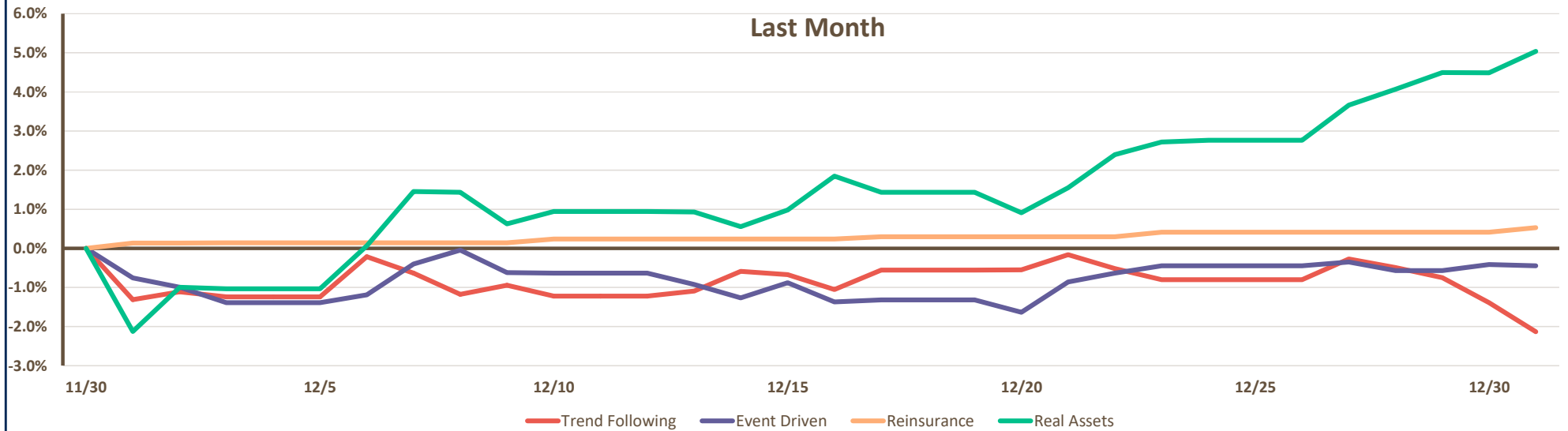
## Last 3 Months



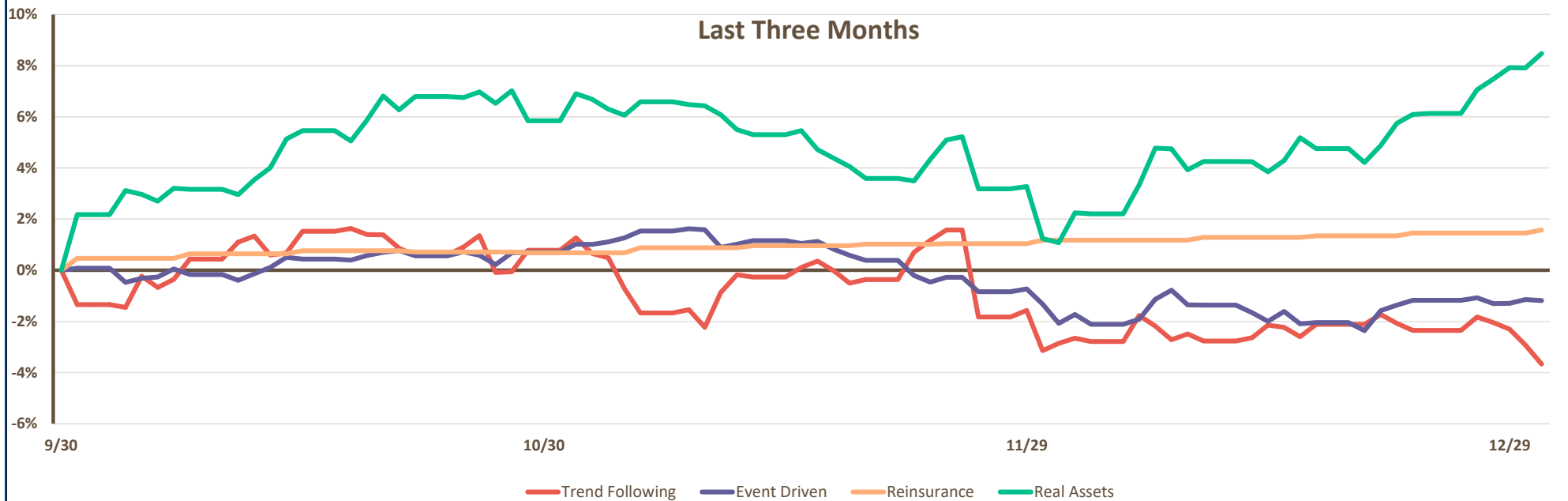
Data as of 12/31/2021. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

## Alternatives Performance Tracker

### Last Month

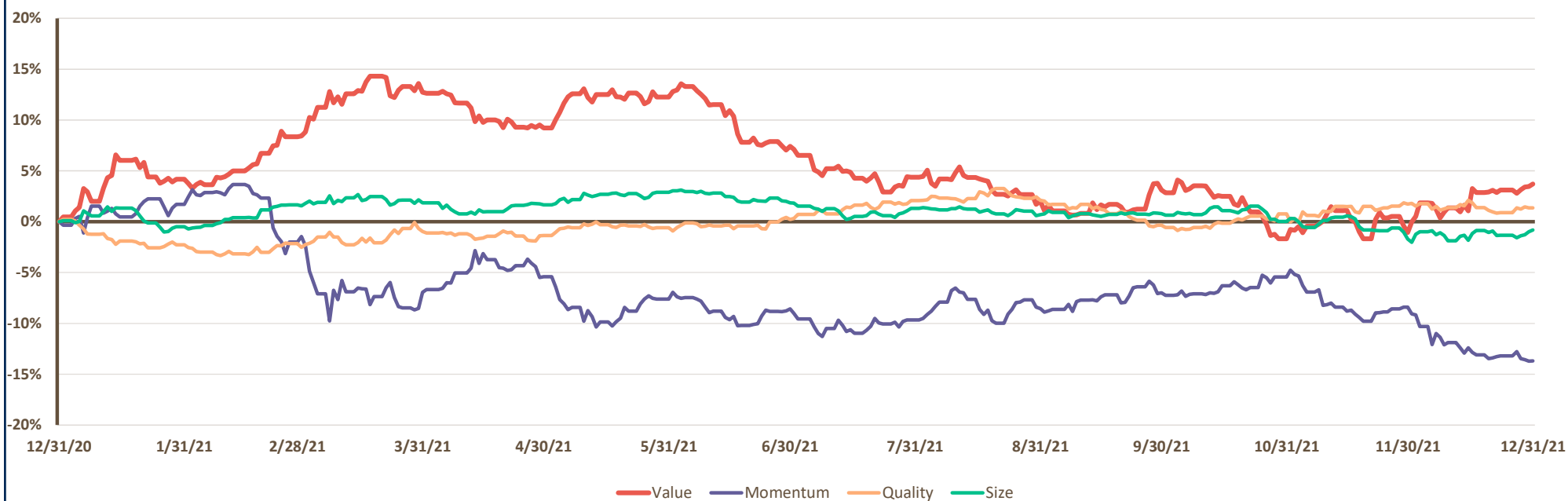
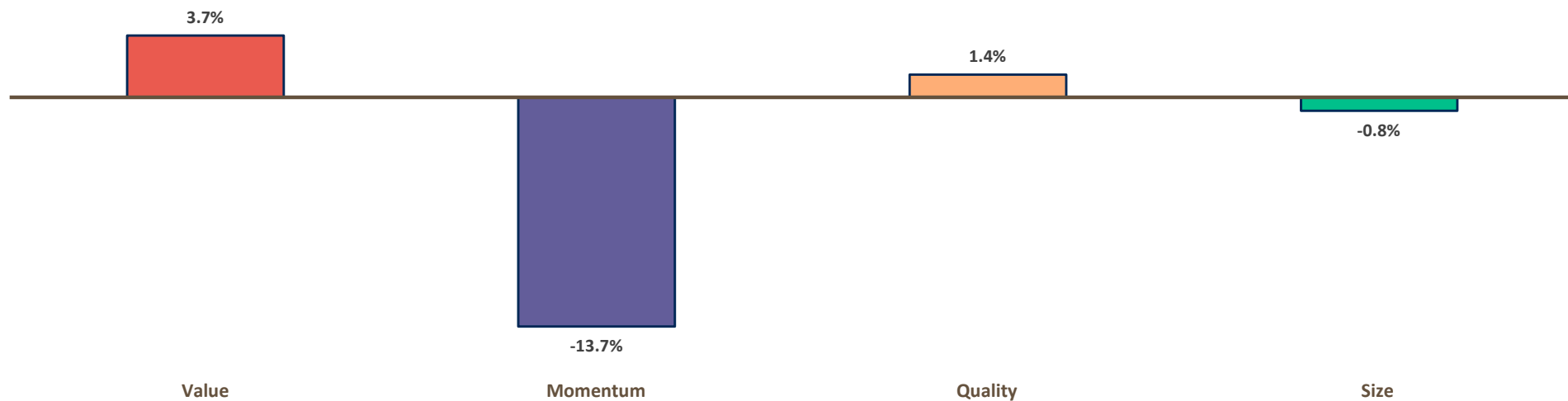


### Last Three Months



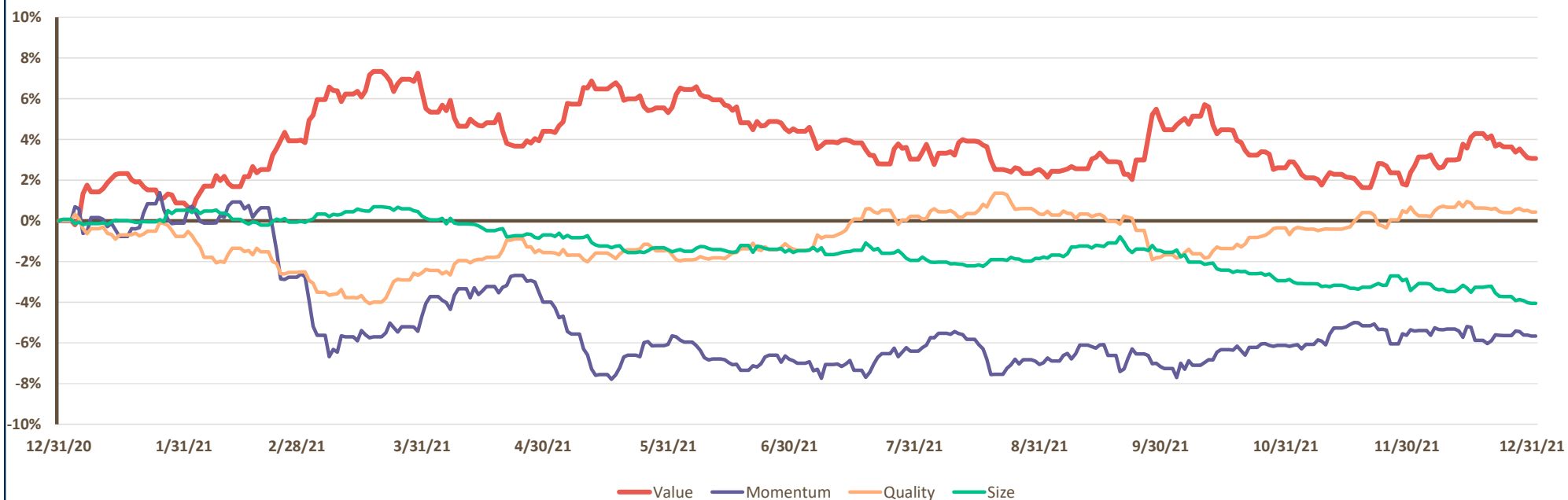
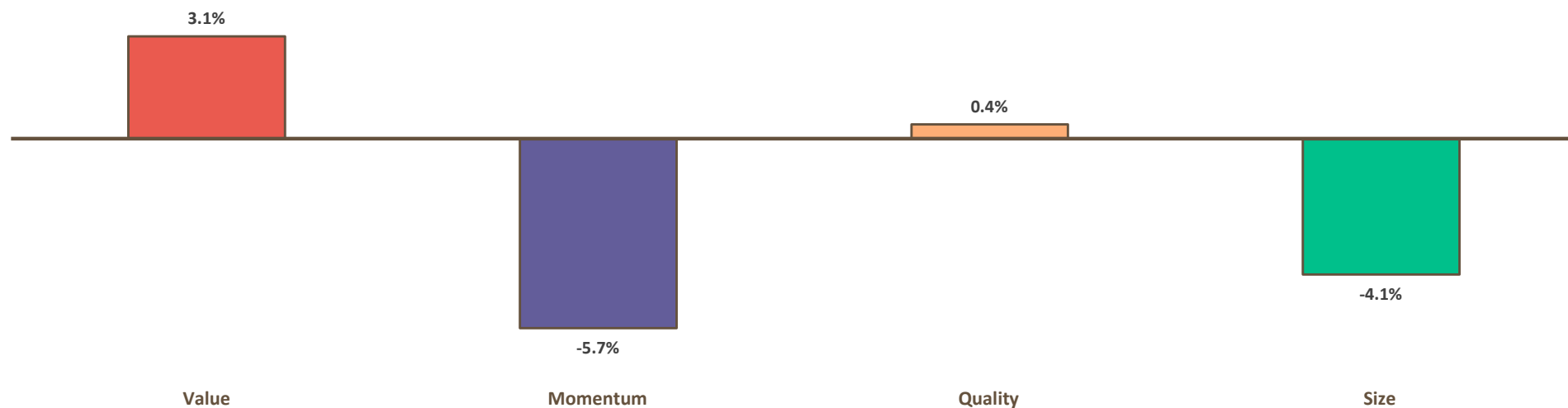
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## U.S. Equity Factor Performance Relative to Broad Market: Previous 12 Months



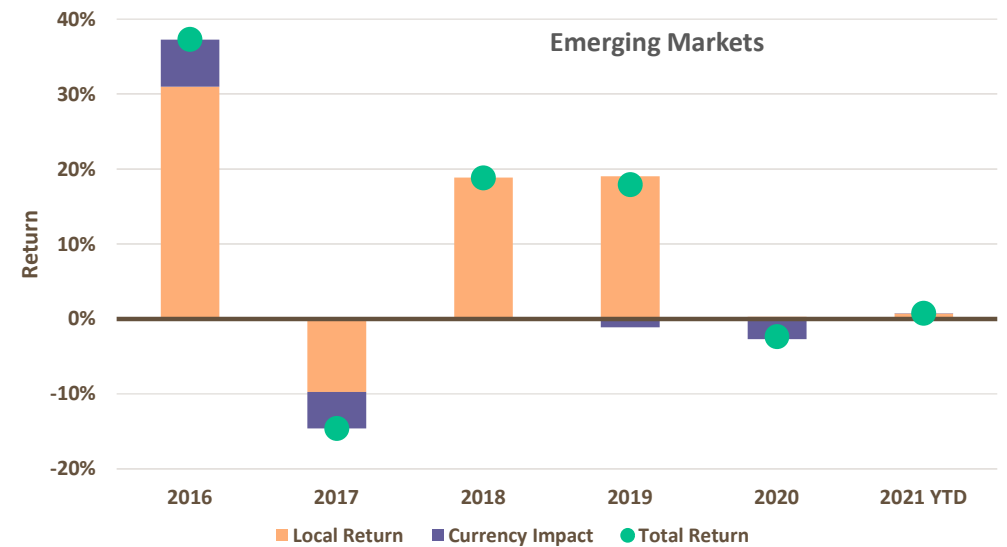
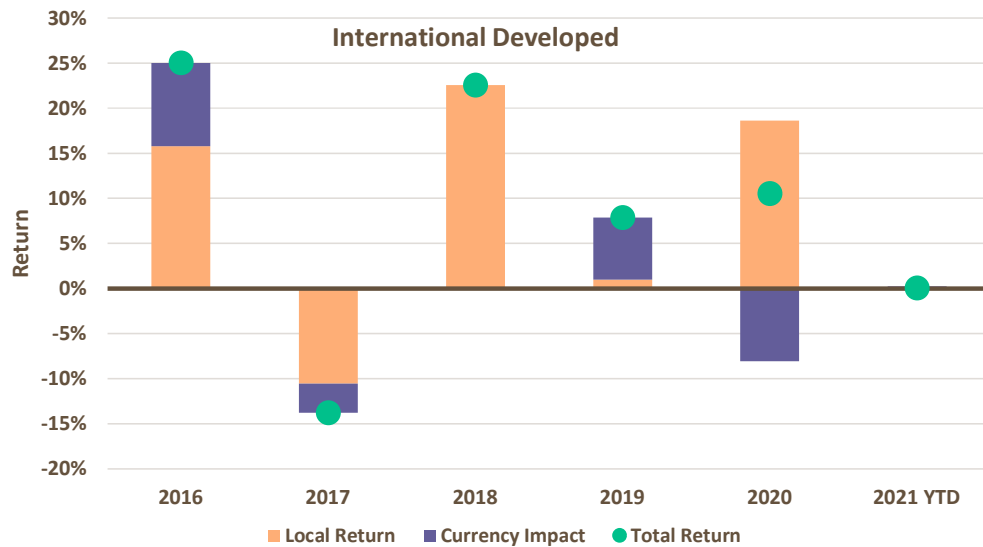
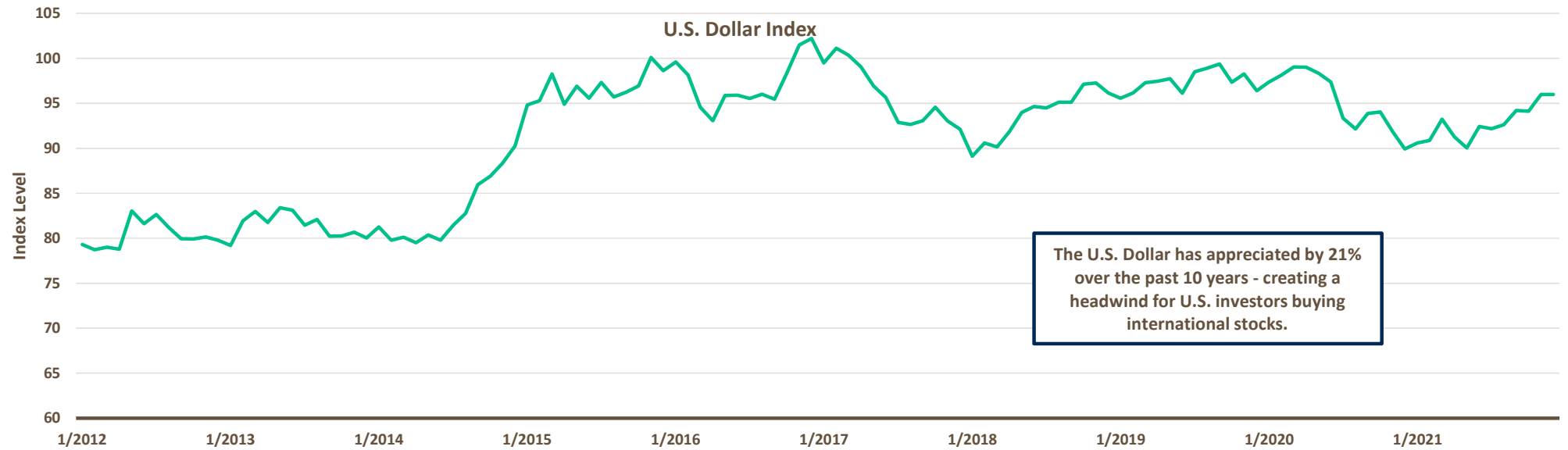
Data as of 12/31/2021. Factor performance calculated relative to broad index. See Endnote 2 for additional disclosures.

# International Equity Factor Performance Relative to Broad Market: Previous 12 Months



Data as of 12/31/2021. Factor performance calculated relative to broad index. See Endnote 2 for additional disclosures.

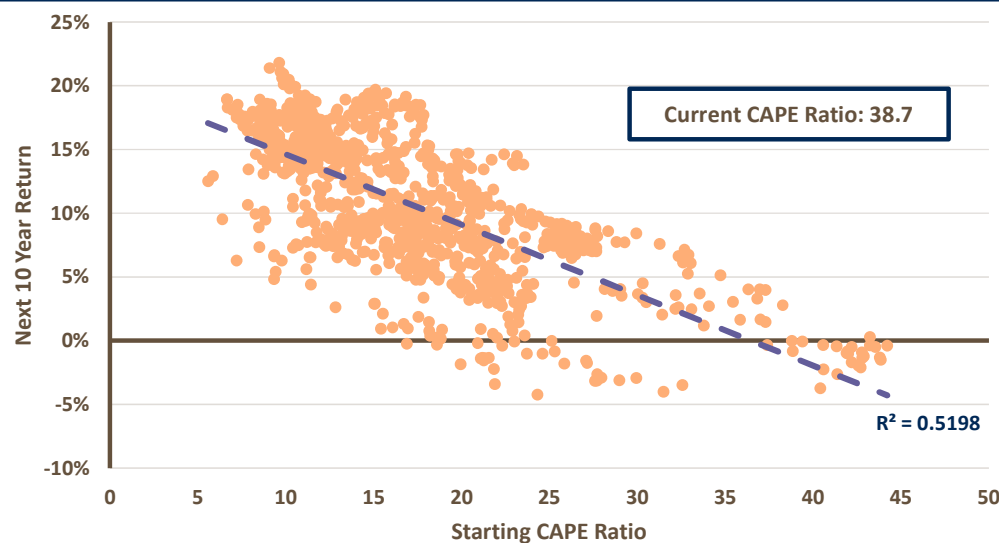
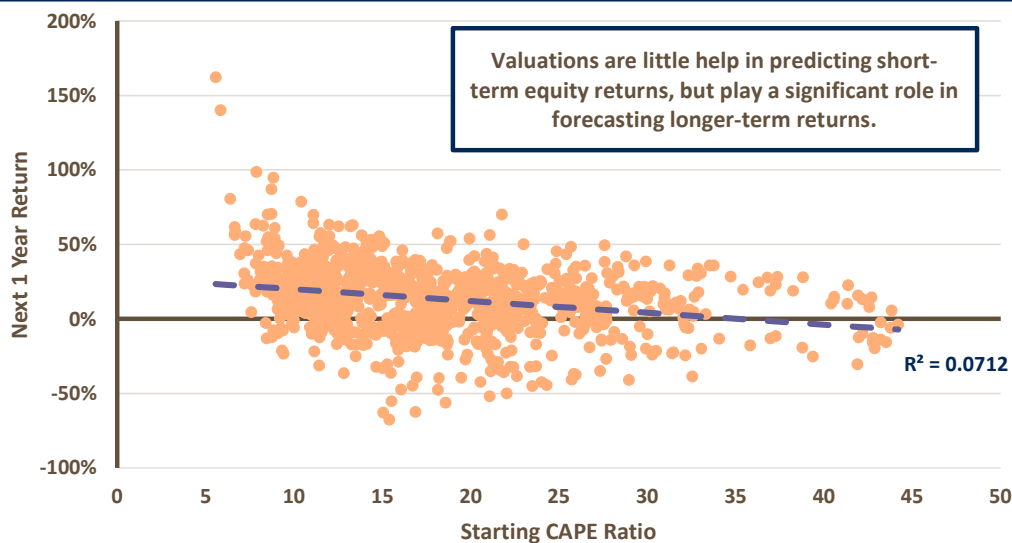
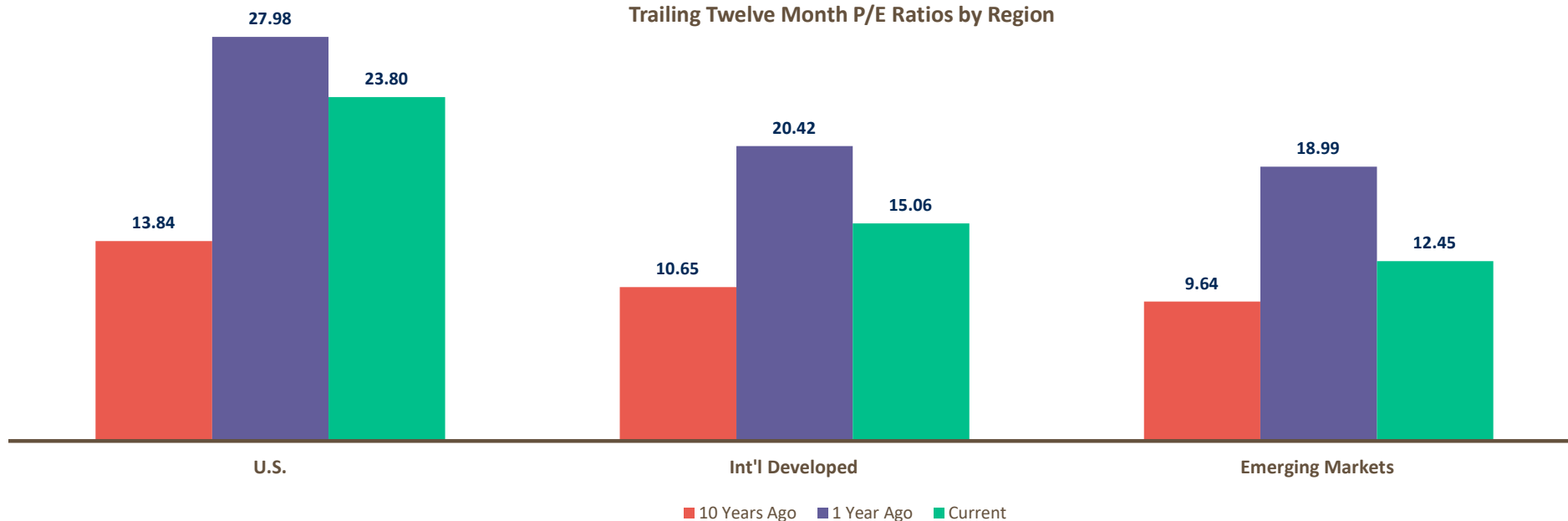
# Currency Impact on International Equity Returns



Data as of 12/31/2021. Data source: Morningstar Direct. See Endnote 3 for additional disclosures.

# Current Equity Valuations and The Impact on Future Returns

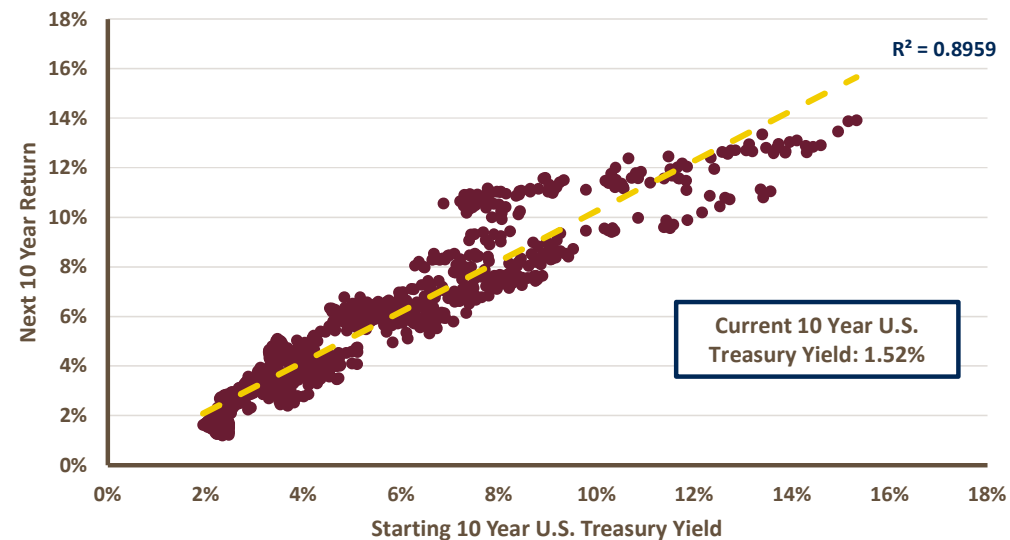
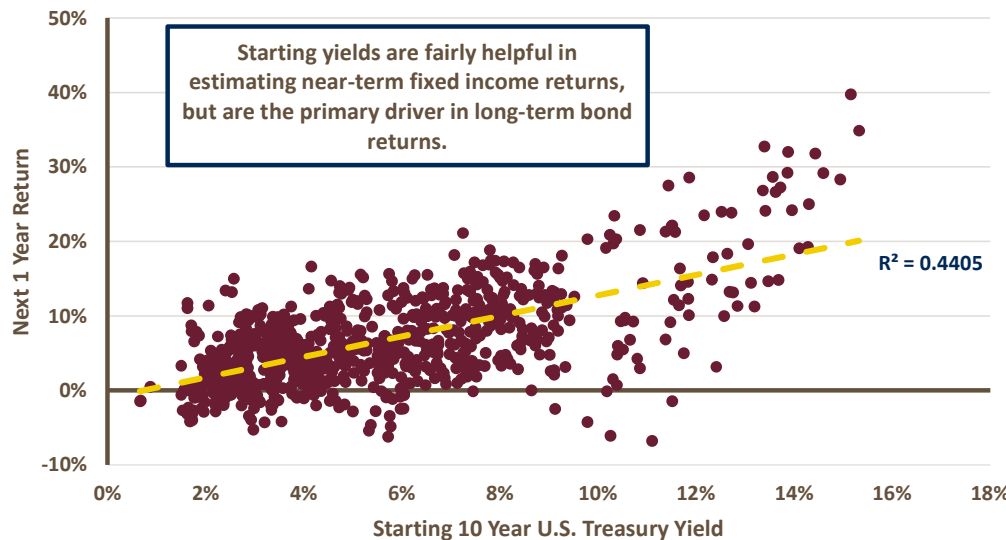
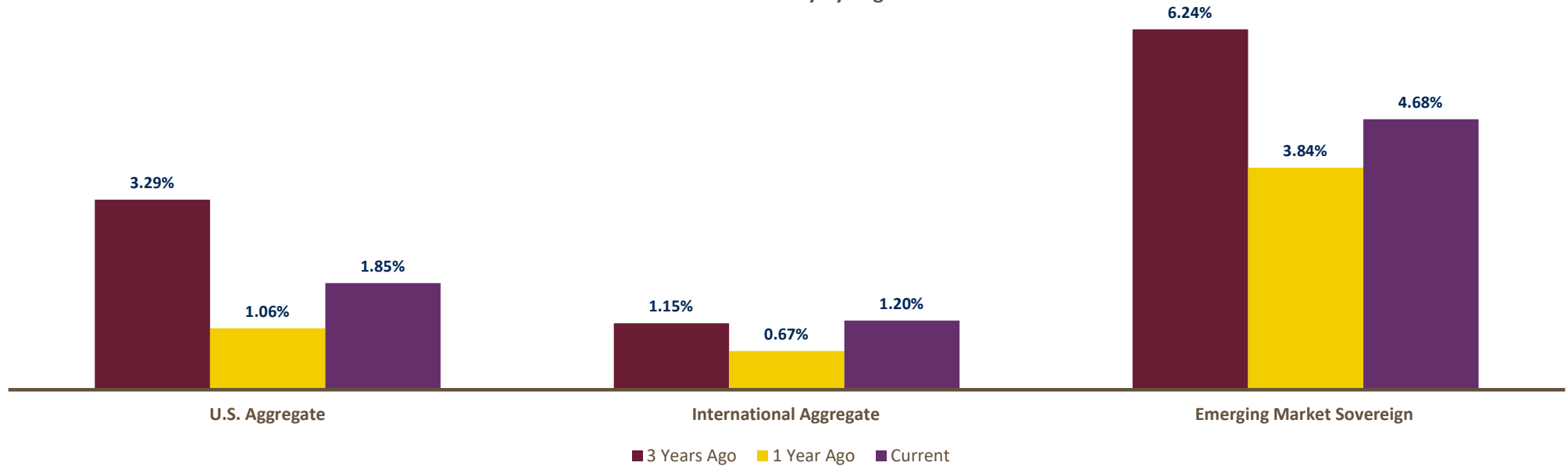
Trailing Twelve Month P/E Ratios by Region



Data as of 12/31/2021. R2 refers to the predictive power a variable has in a regression. A higher R2 (maximum of 1.0) implies a variable is more significant. See Endnote 4 for additional disclosures.

# Current Fixed Income Yields and The Impact on Future Returns

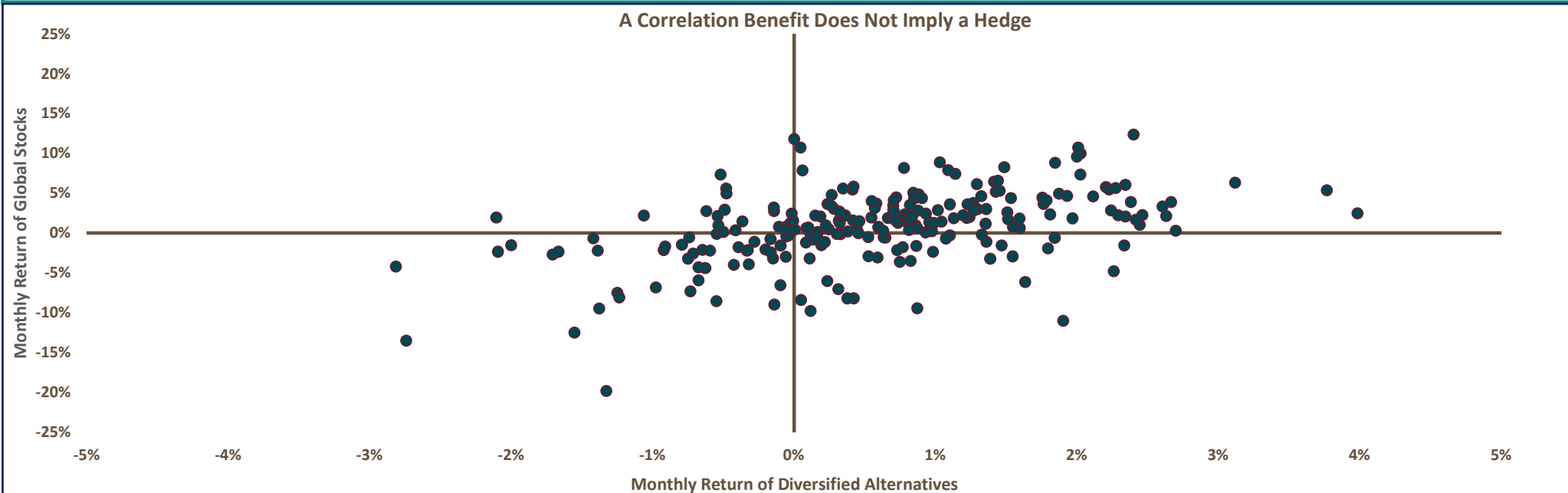
Yield to Maturity by Region



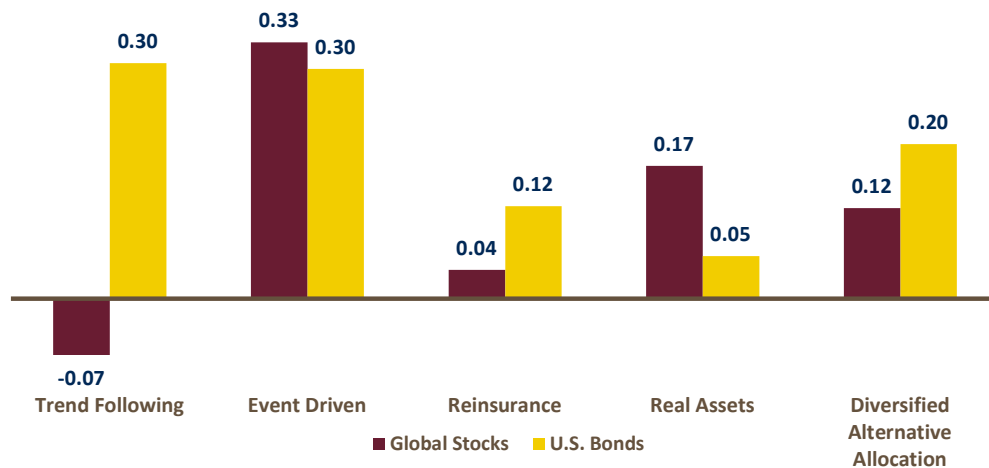
Data as of 12/31/2021. R2 refers to the predictive power a variable has in a regression. A higher R2 (maximum of 1.0) implies a variable is more significant. See Endnote 5 for additional disclosures.



# A Diversified Alternative Allocation Provides a Correlation Benefit

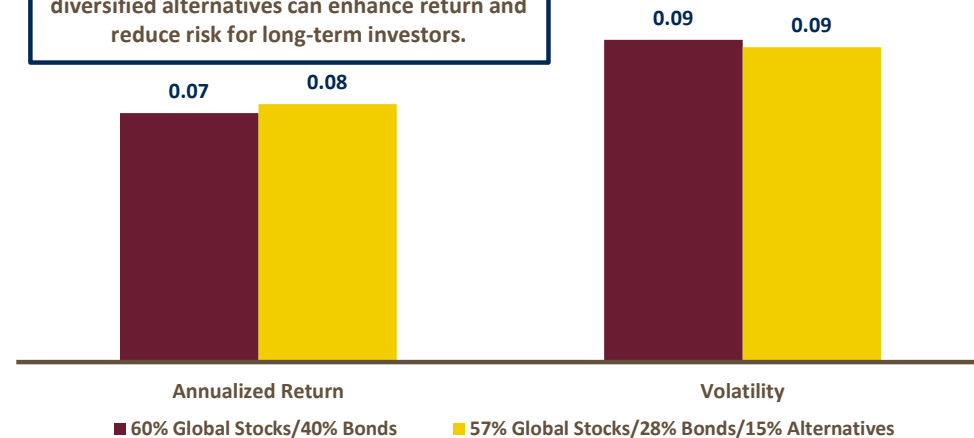


## Beta of Alternatives to Traditional Assets (Last 15 Years)



## Historical Performance

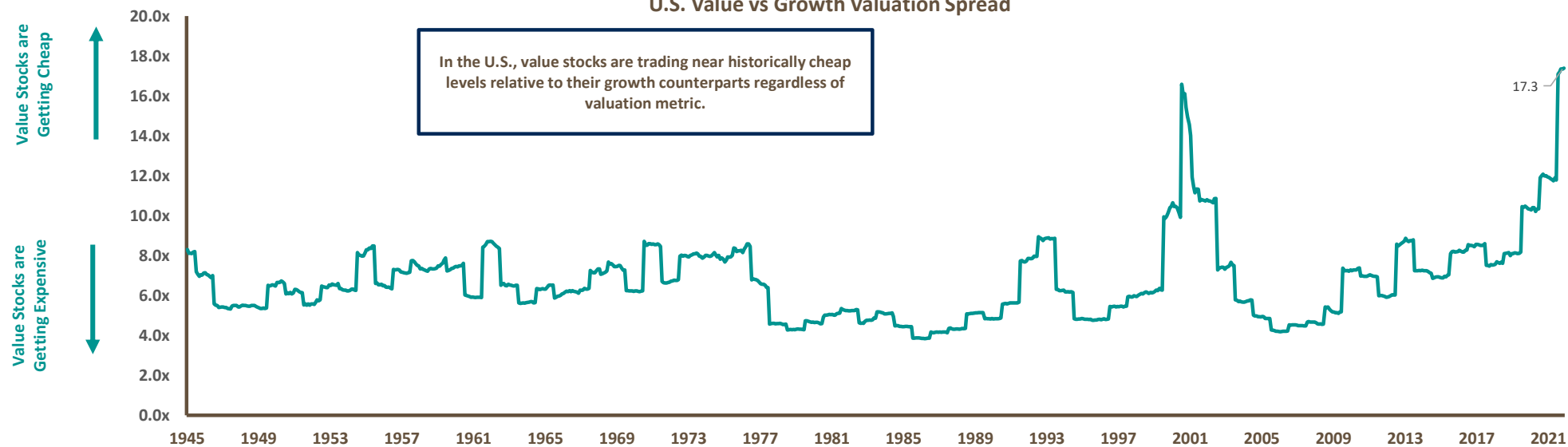
Evidence implies that a modest allocation to diversified alternatives can enhance return and reduce risk for long-term investors.



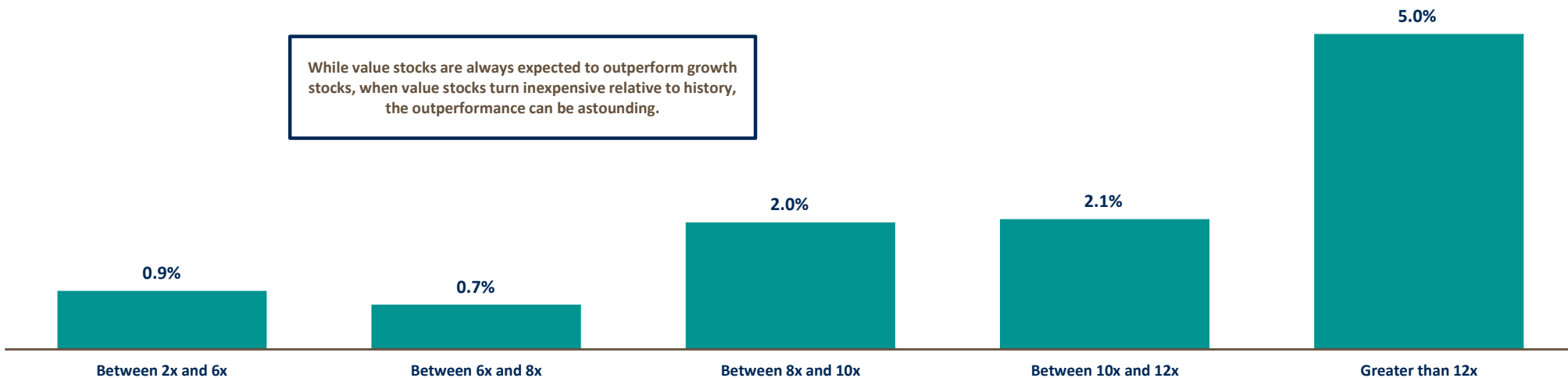
Based on data from 2/2002 through 12/31/2021. Data source: Morningstar Direct. See Endnote 6 for additional disclosures.

# The Value of Value

## U.S. Value vs Growth Valuation Spread



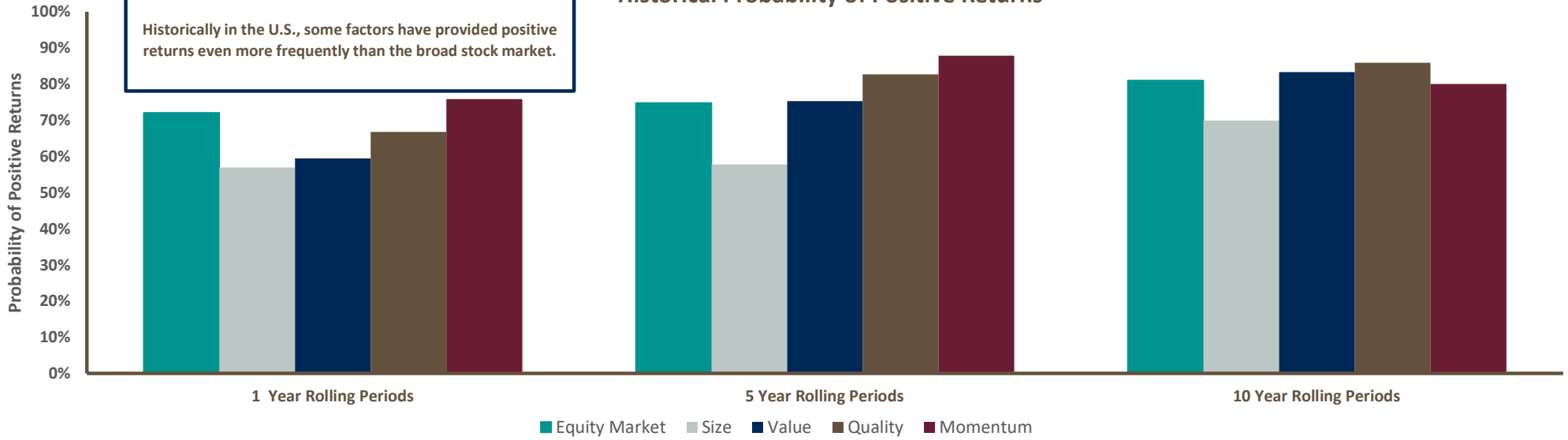
## 5 Year Annualized U.S. Value Premium Based on Starting Value Spread



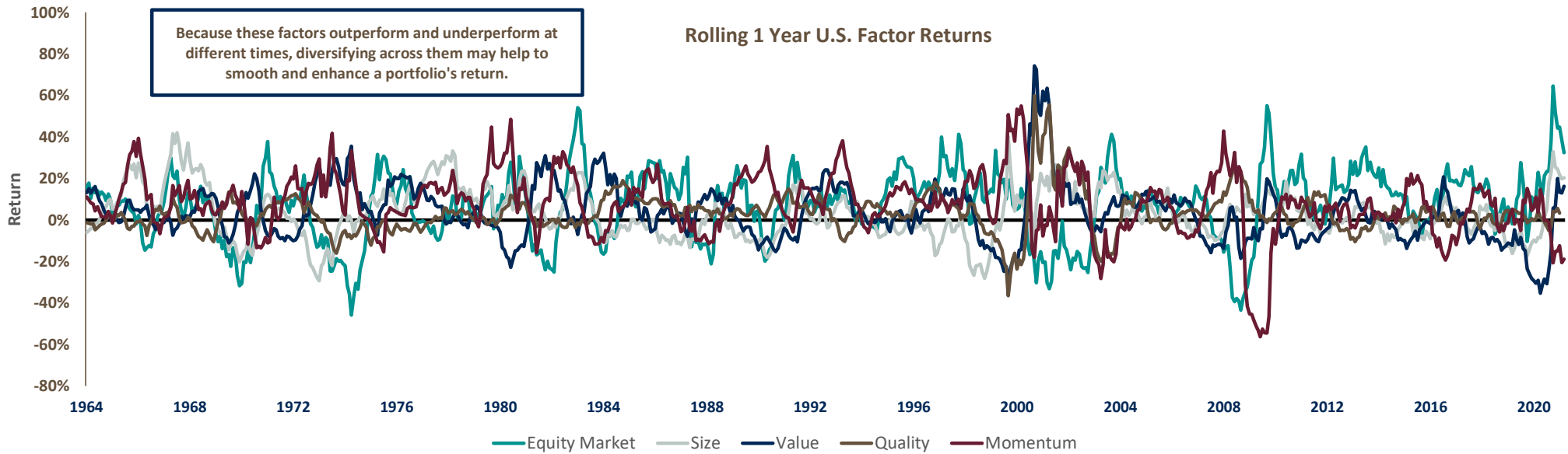
Data as of 12/31/2021. Data source: Kenneth R. French Data Library. Value spread and returns compare the BIG HiBM series to BIG LoBM series.

# Diversifying Across Factors

## Historical Probability of Positive Returns

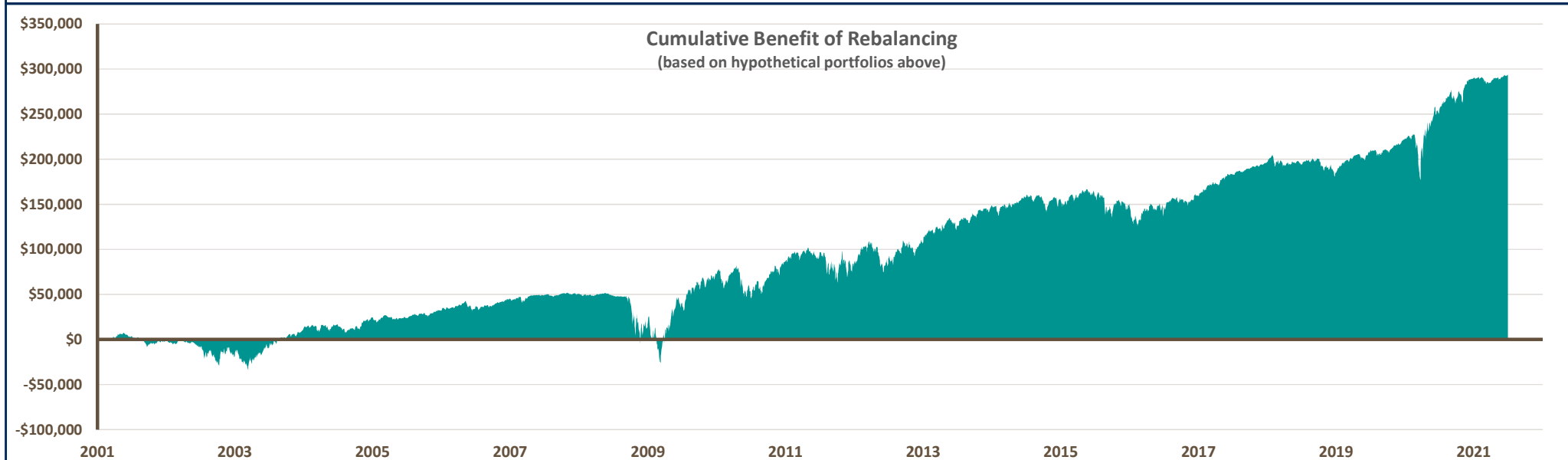
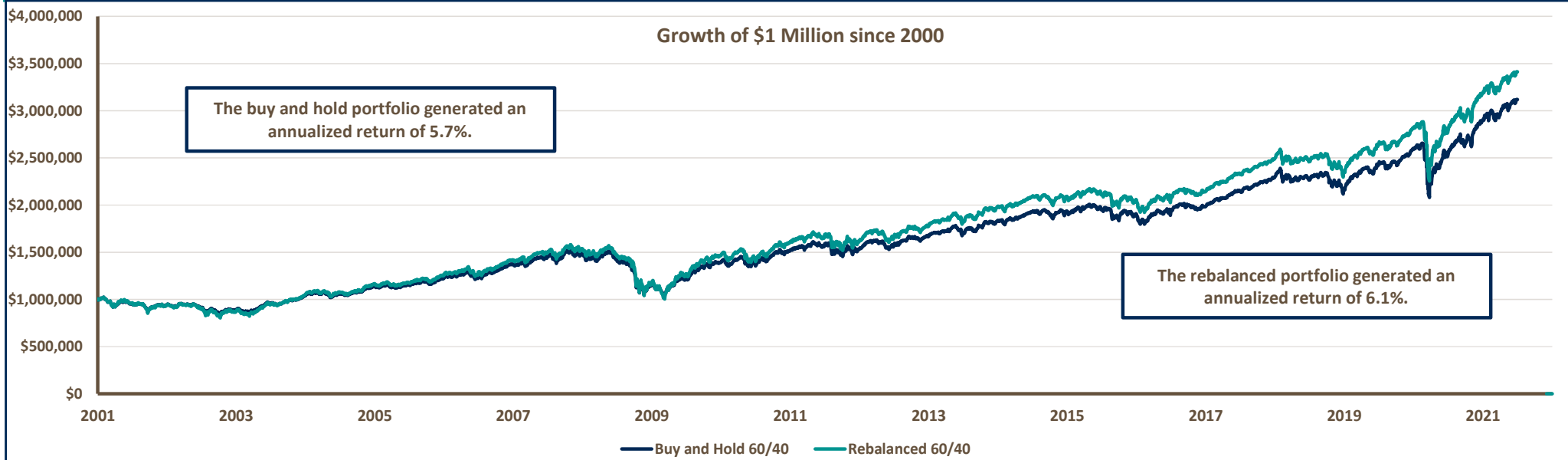


## Rolling 1 Year U.S. Factor Returns



Data as of 12/31/2021. Data source: Kenneth R. French Data Library.

## A Case Study in Rebalancing



Data as of 12/31/2021. See Endnote 7 for additional disclosures.

## Disclosures

**Endnote 1:** Indices used - Global stocks: MSCI ACWI IMI; U.S. Large Core: CRSP US Total Market; U.S. Large Value: MSCI US Prime Market Value; U.S. Large Momentum: MSCI USA Momentum Index; U.S. Large Quality: MSCI USA Sector Neutral Quality Index; U.S. Small Core: Russell 2000; U.S. Small Value: MSCI US Small Cap Value; International Large Core: MSCI EAFE; International Large Value: MSCI EAFE Value; International Small Core: S&P EPAC Small; International Small Value: S&P EPAC Small Value; Emerging Markets: MSCI EM; Global REITs: S&P Global REIT; Short-Term Bond: BBgBarc Credit 1-5 Yr; Intermediate-Term Bond: BBgBarc US Agg Bond; International Bond: JPM GBI Global ex US TR Hdg USD; Inflation-Adjusted Bond: BBgBarc Gbl Infl Linked US TIPS; Multi-Sector Bond: 1/3 BBgBarc US Corporate High Yield, 1/3 BBgBarc US MBS, 1/3 JPM EMBI Global Diversified; Trend Following: Credit Suisse Mgd Futures Liquid; Event Driven: IQ Hedge Event-Driven (appended with other indices prior to inception - available upon request); Reinsurance: SwissRe Global Cat Bond; Real Assets: In the most recent quarter - DJ Brookeld Global Infra, earlier 1/4 DJ Brookfld Global Infra, 1/4 NCREIF Farmland, 1/4 NCREIF Propert, 1/4 NCREIF Timberland (appended with additional indices prior to inception - available upon request).

**Endnote 2:** Indices used - U.S. Large Core: MSCI USA All; U.S. Large Value: MSCI USA Enhanced Value; U.S. Large Momentum: MSCI USA Momentum; U.S. Large Quality: MSCI USA Sector Neutral Quality; U.S. Small Core: MSCI USA Low Size; Int'l Large Core: MSCI World ex USA All Cap; Int'l Large Value: MSCI World ex USA Enhanced Value; Int'l Large Momentum: MSCI World ex US Momentum; Int'l Large Quality: MSCI World ex US Sector Neutral Quality; Int'l Small Core: MSCI World Ex USA Low Size.

**Endnote 3:** Indices used - International: MSCI EAFE; Emerging Markets: MSCI EM. The total return refers to the NR (net return) version of each the index. The local return refers to the LCL (local version of each index). The current impact was determined by subtracting the return of the local return index from the net return index.

**Endnote 4:** P/E proxies for - U.S. Stocks: iShares Core S&P Total US Stock Market ETF; International Stocks: iShares MSCI ACWI ex US ETF; Emerging Markets: iShares MSCI Emerging Markets ETF. CAPE Ratio data is from the Online Shiller Data Library and refers to valuations of U.S. stocks. The corresponding annualized return uses the IA SBBI US Large Stock index.

**Endnote 5:** Yield to maturity proxies for - U.S. Bonds: iShares Core US Aggregate Bond ETF; International Aggregate: iShares Core International Agg Bond ETF; Emerging Market Sovereign: iShares JP Morgan USD Em Mkts Bond ETF. 10 Year Treasury data is from the Online Shiller Data Library and refers to valuations of U.S. stocks. The corresponding annualized return uses the IA SBBI US IT Govt Bond Index.

**Endnote 6:** Indices used - Trend Following: Credit Suisse Mgd Futures Liquid; Event Drive: IQ Hedge Event-Driven (appended with other indices prior to inception - available upon request); Reinsurance: SwissRe Global Cat Bond; Real Assets: In the most recent quarter - DJ Brookeld Global Infra, earlier 1/4 DJ Brookfld Global Infra, 1/4 NCREIF Farmland, 1/4 NCREIF Propert, 1/4 NCREIF Timberland (appended with additional indices prior to inception - available upon request). The 'Diversified Alternative Allocation' is an equal-weight index benchmark, allocating 25% to Trend Following, 25% to Event Driven, 25% to Reinsurance, and 25% to Real Assets via the benchmarks listed above.

**Endnote 7:** Stocks are represented by the MSCI ACWI IMI NR USD Index. Bonds are represented by the BBgBarc US Agg Bond TR USD Index. For the 'Buy and Hold 60/40', the investor is assumed to start with \$600,000 in stocks and \$400,000 in bonds. The investor simply holds the positions and accepts the changes to the portfolio allocation mandated by buy and hold returns. The 'Rebalanced 60/40' investor is assumed to start with the same \$600,000 in stocks and \$400,000 in bonds. However, when this investor's stock allocation drifts below 55% or above 65%, the portfolio is automatically rebalanced back to target. This exhibit does not take management fees, taxes, or taxes strategies such as tax loss harvesting nor tax considerations such as capital gain taxes into account. This case study utilizes returns from 1/1/2000 through last month end.

Savant Wealth Management ("Savant") is an SEC registered investment adviser headquartered in Rockford, Illinois. Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk. All investment strategies have the potential for profit or loss.

Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results.

Data and illustrations reflect hypothetical, back-tested results that were achieved by means of the retroactive application of a back-tested portfolio and, as such, the corresponding results have inherent limitations, including: (a) the portfolio results do not reflect the results of actual trading using investor assets, but were achieved by means of the retroactive application of each of the referenced portfolios, certain aspects of which may have been designed with the benefit of hindsight; (b) back tested performance may not reflect the impact that any material market or economic factors might have had on the adviser's use of the hypothetical portfolio if the portfolio had been used during the period to actually manage investor assets; (c) for various reasons (including the reasons indicated below), clients may have experienced investment results during the corresponding time periods that were materially different from those reflected for the portfolio.

