McKnight Brain Research Foundation

Period Ending February 28, 2022

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Asset Allocation

- The Foundation has a 75.0% target to public equity, a 5.0% target to fixed income (including cash) and a 20.0% target allocation to alternative assets (including a 8.0% allocation to private equity).
- As of month end, the public equity allocation was 74.9%, the allocation to fixed income (including cash) was 6.5% and the allocation to alternative investments was 18.6%.

Portfolio Performance

- For the year-to-date period ending February 28, 2022 the total return for the portfolio was -6.90% versus -6.59% for the Investment Policy Statement Index.
- For the one year period ending February 28, 2022 the total return for the portfolio was 8.77% versus 8.19% for the Investment Policy Statement Index.

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Investment Review

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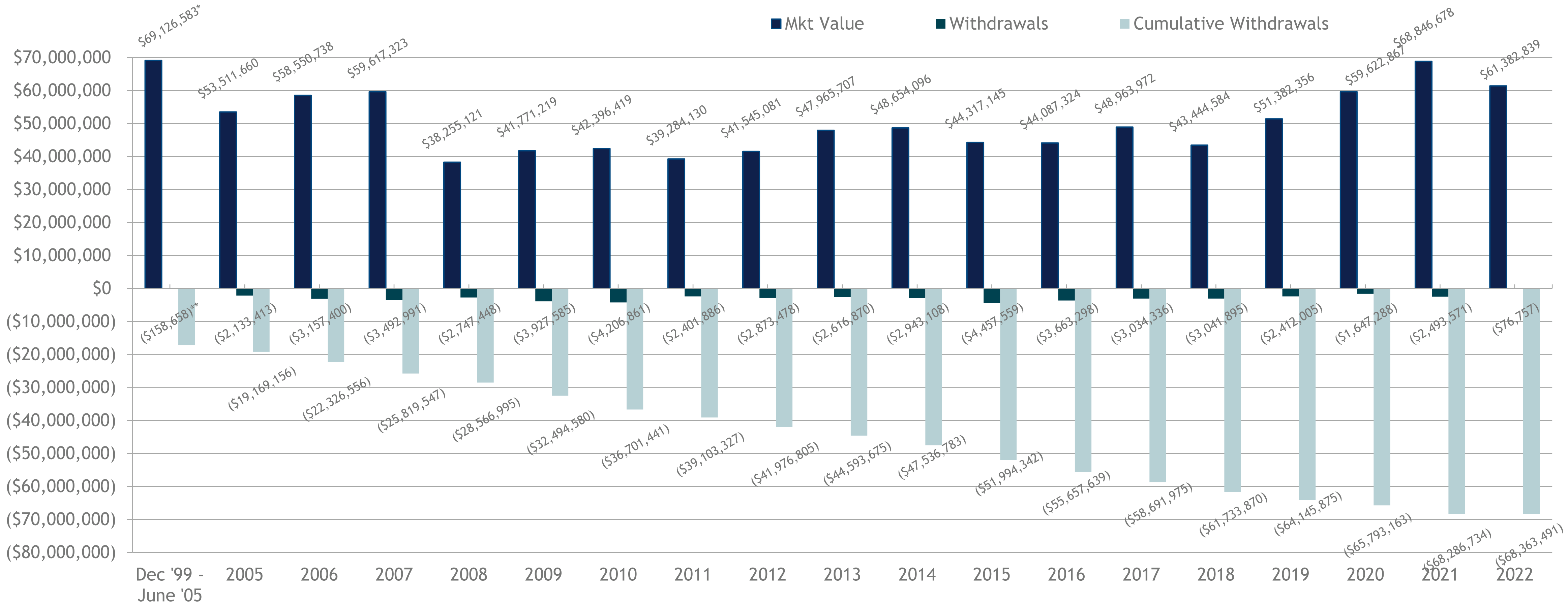
Historical Market Values and Distributions



Source: First Rate Advisor
** As of December 1999*
*** From December 2004 - June 2005*

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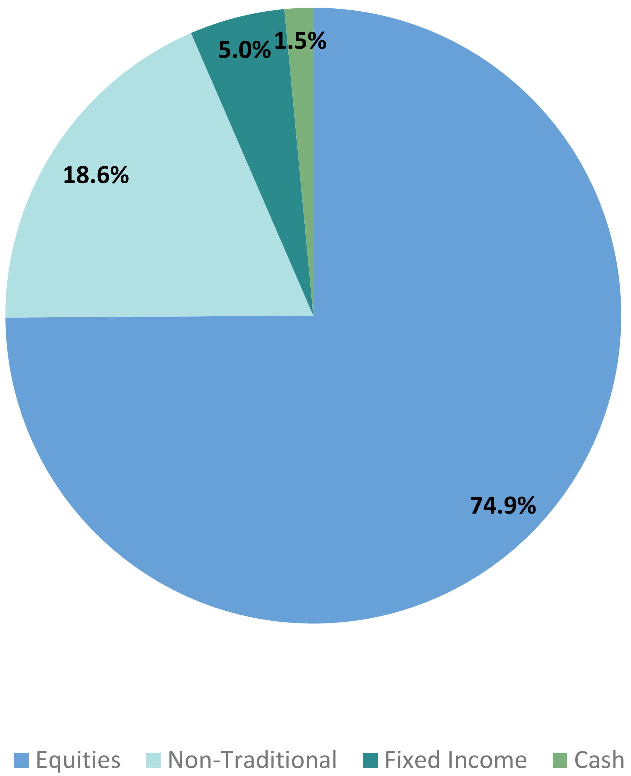
Portfolio Composition

McKnight Brain Research Foundation



Period Ending February 28, 2022							
Assets	**Current Market Value**	**Current Allocation**	**Prior Allocation**	**Δ in Allocation**	**Target Allocation**	**Range**	**Variance from Target**
Total Portfolio	**$63,987,252**	**100.0%**	**100.0%**		**100.0%**		
Total Equities	**$47,938,855**	**74.9%**	**75.2%**	**(0.3%)**	**74.0%**		**0.9%**
Large Cap Equities	**$36,421,061**	**56.9%**	**57.4%**	**(0.5%)**	**55.0%**	**30-60%**	**1.9%**
T. Rowe Price Large Cap Growth	$5,560,083	8.7%	8.8%	(0.2%)			
Edgewood Growth Instl	$5,318,216	8.3%	8.6%	(0.3%)			
Hartford Dvdnd & Grwth-F	$4,662,219	7.3%	7.2%	0.1%			
Vanguard Russell 1000 Value Index I	$3,603,679	5.6%	5.6%	0.0%			
Vanguard Value ETF	$6,908,396	10.8%	10.7%	0.1%			
Vanguard Russell 1000 Growth Index I	$2,921,614	4.6%	4.7%	(0.1%)			
Vanguard Institutional Index	$7,446,854	11.6%	11.7%	(0.1%)			
Mid Cap Equities	**$1,193,361**	**1.9%**	**1.8%**	**0.1%**	**5.0%**	**5-14%**	**-3.1%**
Vanguard Mid-Cap Value ETF	$1,193,361	1.9%	1.8%	0.1%			
Smid Cap Equities	**$2,219,441**	**3.5%**	**3.4%**	**0.1%**			
Eaton Vance Atlanta Capital SMID-Cap R6	$2,219,441	3.5%	3.4%	0.1%			
Small Cap Equities	**$3,353,918**	**5.2%**	**5.0%**	**0.2%**	**7.0%**	**0-15%**	**-1.8%**
iShares S&P Small-Cap 600 Value ETF	$2,350,114	3.7%	3.5%	0.2%			
Vanguard Small-Cap Growth ETF	$1,003,804	1.6%	1.5%	0.1%			
International Developed Equities	**$3,408,345**	**5.3%**	**5.4%**	**(0.1%)**	**5.0%**	**5-15%**	**0.3%**
Artisan International Value Instl	$1,813,082	2.8%	2.8%	0.0%			
Vanguard International Growth Adm	$1,595,264	2.5%	2.6%	(0.1%)			
International Emerging	**$1,342,728**	**2.1%**	**2.2%**	**(0.1%)**	**2.0%**	**2-10%**	**0.1%**
iShares Core MSCI Emerging Markets ETF	$676,745	1.1%	1.1%	(0.0%)			
Calvert Emerging Markets Equity-R6	$665,983	1.0%	1.1%	(0.1%)			
Total Fixed Income	**$3,220,991**	**5.0%**	**5.0%**	**0.0%**	**5.0%**	**0-20%**	**0.0%**
Dodge & Cox Income	$846,079	1.3%	1.3%	0.0%			
Western Asset Core Plus Bond IS	$2,374,912	3.7%	3.7%	0.0%			
Total Non-Traditional	**$11,872,699**	**18.6%**	**18.3%**	**0.3%**	**21.0%**	**10-30%**	**-2.4%**
Real Estate	**$0**	**0.0%**	**0.0%**	**0.0%**	**3.0%**	**0-10%**	**-3.0%**
Hedge	**$7,404,237**	**11.6%**	**11.4%**	**0.2%**	**10.0%**	**10-30%**	**1.6%**
Lighthouse Global Long/Short	$2,920,321	4.6%	4.5%	0.1%			
Lighthouse Diversified	$2,534,516	4.0%	3.9%	0.1%			
Lighthouse Credit Opportunities	$1,949,400	3.0%	3.0%	0.0%			
Private Equity	**$4,468,462**	**7.0%**	**6.9%**	**0.1%**	**8.0%**	**0-10%**	**-1.0%**
Svb Cap Strategic Investo	$274,269	0.4%	0.4%	0.0%			
Hcp Private Equity Master	$1,095,038	1.7%	1.8%	(0.1%)			
Spring Harbour 2013	$449,132	0.7%	0.7%	0.0%			
HarbourVest 2015	$525,826	0.8%	0.8%	0.0%			
HarbourVest 2016	$513,532	0.8%	0.8%	0.0%			
HarbourVest 2017	$480,476	0.8%	0.7%	0.1%			
HarbourVest 2018	$463,039	0.7%	0.7%	0.0%			
HarbourVest 2019	$353,257	0.6%	0.5%	0.1%			
HarbourVest 2020	$276,393	0.4%	0.4%	0.0%			
HarbourVest 2021	$37,500	0.1%	0.1%	(0.0%)			
Total Cash	**$954,706**	**1.5%**	**1.5%**	**(0.0%)**			

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Investment Performance

Period Ending February 28, 2022						
Assets	**Year to Date**	**1 Year**	**3 Years**	**5 Years**	**7 Years**	**10 Years**
Total Portfolio	**-6.90%**	**8.77%**	**14.54%**	**11.98%**	**9.99%**	**10.73%**
2021 Efficient Frontier Target(1)	*-6.59%*	*8.19%*	*13.34%*	*10.91%*	*9.01%*	*9.96%*
Spending Policy Benchmark	--	*7.63%*	*8.05%*	*8.20%*	*8.16%*	*8.12%*
65% Russell 3000 / 35% Barclays Agg	*-6.51%*	*7.00%*	*12.79%*	*10.68%*	--	--
Total Equities	**-8.72%**	**7.33%**	**16.03%**	**13.46%**	**11.25%**	**12.36%**
Domestic Equities	-8.78%	8.91%	15.76%	14.02%	12.05%	13.50%
International Equities – Developed	-9.00%	-6.27%	17.61%	12.91%	9.59%	9.59%
International Equities – Emerging	-5.31%	-12.63%	7.42%	6.84%	4.55%	4.17%
Total Fixed Income	**-4.73%**	**-3.70%**	**1.94%**	**2.34%**	**2.09%**	**2.71%**
Total Non-Traditional	**0.31%**	**19.99%**	**14.50%**	**11.06%**	**9.22%**	**9.03%**
Private Equity (As of 9/30/2021)	--	*50.57%*	*25.07%*	*23.01%*	--	--

(1) 2021 Efficient Frontier Target consists of: 55% S&P 500 / 5% Russell MidCap / 7% Russell 2000 / 5% MSCI EAFE / 2% MSCI Emerging Markets / 5% Bloomberg Barclays US Aggregate TR / 18% HFRI Fund of Funds Composite Index / 3% FTSE NAREIT All Equity

**Efficient Frontier Returns prior to July 1, 2021 correspond to previous efficient frontier targets*

(1) Average 1 Year BRDPI Inflation of 1.6% + 5% Distribution + 1% Expenses = 7.6%
(2) Average 3 Year BRDPI Inflation of 2.1% + 5% Distribution + 1% Expenses = 8.1%
(3) Average 5 Year BRDPI Inflation of 2.2% + 5% Distribution + 1% Expenses = 8.2%
(4) Average 7 Year BRDPI Inflation of 2.2% + 5% Distribution + 1% Expenses = 8.2%
(5) Average 10 Year BRDPI Inflation of 2.1% + 5% Distribution + 1% Expenses = 8.1%

BRDPI Inflation index last updated Mar 2021

Source: First Rate Advisor and Morningstar. Returns greater than one year are annualized

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Manager Performance

Period Ending February 28, 2022						
Assets	Ticker Symbol	Allocation	Year to Date	1 Year	3 Years	5 Years
Large Cap Equity		56.9%				
T. Rowe Price Large Cap Growth	TRLGX	8.7%	-14.12%	2.25%	18.70%	20.11%
Edgewood Growth Instl	EGFIX	8.3%	-18.40%	-1.79%	19.76%	19.08%
Vanguard Russell 1000 Growth Index I	VRGWX	4.6%	-12.47%	12.48%	23.10%	20.15%
Russell 1000 Growth			*-12.47%*	*12.55%*	*23.18%*	*20.24%*
Vanguard Institutional Index	VINIX	11.6%	-8.02%	16.34%	18.22%	15.14%
S&P 500			*-8.01%*	*16.39%*	*18.24%*	*15.17%*
Vanguard Value ETF	VTV	10.8%	-2.17%	18.73%	13.06%	11.09%
CRSP US Large Cap Value			*-2.17%*	*18.76%*	*13.08%*	*11.10%*
Vanguard Russell 1000 Value Index I	VRVIX	5.6%	-3.49%	14.89%	12.16%	9.40%
Hartford Dividend and Growth F	HDGFX	7.3%	-3.46%	21.76%	16.82%	13.46%
Russell 1000 Value			*-3.46%*	*14.99%*	*12.22%*	*9.45%*
Mid Cap Equity		1.9%				
Vanguard Mid-Cap Value ETF	VOE	1.9%	-3.27%	16.13%	12.80%	9.65%
CRSP US Mid Cap Value			*-3.25%*	*16.23%*	*12.85%*	*9.68%*
Small Cap Equity		5.3%				
iShares S&P Small-Cap 600 Value ETF	IJS	3.7%	-2.14%	8.51%	11.62%	9.52%
S&P 600 Value			*-2.08%*	*8.87%*	*11.84%*	*9.71%*
Vanguard Small-Cap Growth ETF	VBK	1.6%	-13.01%	-12.83%	11.49%	12.46%
CRSP US Small Cap Growth			*-13.01%*	*-12.82%*	*11.51%*	*12.47%*
Smid Cap Equity		3.5%				
Eaton Vance Atlanta Capital SMID-Cap R6	ERASX	3.5%	-6.75%	11.16%	14.47%	13.98%
Russell 2500			*-7.29%*	*0.40%*	*12.88%*	*11.21%*

Source: Morningstar

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Manager Performance

Period Ending February 28, 2022						
Assets	Ticker Symbol	Allocation	Year to Date	1 Year	3 Years	5 Years
International Equity		7.4%				
Vanguard International Growth Adm	VWILX	2.5%	-14.95%	-17.49%	16.18%	15.42%
MSCI ACWI ex US			*-5.59%*	*-0.40%*	*7.67%*	*7.26%*
Artisan International Value Instl	APHKX	2.8%	-3.09%	7.71%	11.30%	9.09%
MSCI EAFE			*-6.52%*	*2.83%*	*7.78%*	*7.16%*
Calvert Emerging Markets Equity R6	CVMRX	1.0%	-6.18%	-16.23%	6.93%	8.74%
iShares Core MSCI Emerging Markets ETF	IEMG	1.1%	-5.30%	-9.49%	6.35%	6.96%
MSCI EM			*-4.83%*	*-10.69%*	*6.04%*	*6.99%*
Fixed Income		5.0%				
Dodge & Cox Income	DODIX	1.3%	-3.27%	-2.69%	4.13%	3.45%
Western Asset Core Plus Bond IS	WAPSX	3.7%	-5.23%	-4.00%	3.76%	3.50%
Bloomberg Barclays US Aggregate Bond			*-3.25%*	*-2.64%*	*3.30%*	*2.71%*
Non-Traditional						
Lighthouse Global Long/Short LTD		4.6%	0.72%	-3.40%	9.04%	5.76%
Standard Deviation		--	--	5.79%	7.75%	7.20%
Lighthouse Credit Opportunities LTD		3.0%	0.04%	9.44%	11.15%	8.27%
Standard Deviation		--	--	8.79%	13.64%	10.77%
Lighthouse Diversified LTD		4.0%	0.20%	6.62%	5.45%	4.02%
Standard Deviation		--	--	4.05%	12.05%	9.48%
MSCI ACWI			*-7.37%*	*7.81%*	*13.41%*	*11.44%*
Standard Deviation		--	--	11.78%	17.21%	15.14%
Bloomberg Barclays US Aggregate Bond			*-3.25%*	*-2.64%*	*3.30%*	*2.71%*
Standard Deviation		--	--	3.35%	3.77%	3.31%

Source: Morningstar

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Private Equity Summary

Period Ending September 30, 2021											
Account	Commit.	Cumulative Takedown	Cumulative Distributions	Value (RV)	Total Value (RV + Dist)	Unfunded Commit	DPI (dist /takedowns)	RVPI (RV/takedowns)	TVPI (TV / takedown)	Takedown (takedowns/ commit)	IRR
Private Equity	$5,000,000	$3,278,429	$2,307,145	$4,581,904	$6,889,049	$1,721,571	70.37%	139.76%	210.13%	65.57%	20.04
Hall Capital 2011	$1,000,000	$900,000	$1,115,007	$1,250,039	$2,365,046	$100,000	123.89%	138.89%	262.78%	90.00%	16.65
SpringHarbour 2013	$500,000	$432,500	$500,443	$537,044	$1,037,487	$67,500	115.71%	124.17%	239.88%	86.50%	20.48
HarbourVest 2015	$500,000	$425,000	$319,712	$584,713	$904,425	$75,000	75.23%	137.58%	212.81%	85.00%	24.18
HarbourVest 2016	$500,000	$360,000	$200,383	$527,084	$727,467	$140,000	55.66%	146.41%	202.07%	72.00%	27.36
HarbourVest 2017	$500,000	$327,500	$129,740	$497,142	$626,882	$172,500	39.62%	151.80%	191.41%	65.50%	29.98
HarbourVest 2018	$500,000	$290,000	$21,189	$463,039	$484,228	$210,000	7.31%	159.67%	166.98%	58.00%	36.69
HarbourVest 2019	$500,000	$230,000	$15,619	$351,461	$367,080	$270,000	6.79%	152.81%	159.60%	46.00%	62.36
HarbourVest 2020	$500,000	$147,500	$5,052	$194,813	$199,865	$352,500	3.43%	132.08%	135.50%	29.50%	77.35
SVB Capital	$500,000	$165,929	$0	$176,569	$176,569	$334,071	0.00%	106.41%	106.41%	33.19%	13.58

Period Ending February 28, 2022											
Account	Commit.	Cumulative Takedown	Cumulative Distributions	Value (RV)	Total Value (RV + Dist)	Unfunded Commit	DPI (dist /takedowns)	RVPI (RV/takedowns)	TVPI (TV / takedown)	Takedown (takedowns / commit)	IRR
Private Equity	$5,500,000	$3,598,477	$2,741,553	--	--	$1,901,523	76.19%	--	--	65.43%	--
Hall Capital 2011	$1,000,000	$900,000	$1,270,007	--	--	$100,000	141.11%	--	--	90.00%	--
SpringHarbour 2013	$500,000	$432,500	$588,355	--	--	$67,500	136.04%	--	--	86.50%	--
HarbourVest 2015	$500,000	$425,000	$378,599	--	--	$75,000	89.08%	--	--	85.00%	--
HarbourVest 2016	$500,000	$375,000	$229,854	--	--	$125,000	61.29%	--	--	75.00%	--
HarbourVest 2017	$500,000	$357,500	$176,406	--	--	$142,500	49.34%	--	--	71.50%	--
HarbourVest 2018	$500,000	$325,000	$56,189	--	--	$175,000	17.29%	--	--	65.00%	--
HarbourVest 2019	$500,000	$244,848	$28,671	--	--	$255,152	13.04%	--	--	48.97%	--
HarbourVest 2020	$500,000	$237,500	$13,472	--	--	$262,500	6.82%	--	--	47.50%	--
HarbourVest 2021	$500,000	$37,500	$0	--	--	$462,500	0.00%	--	--	7.50%	--
SVB Capital	$500,000	$263,629	$0	--	--	$236,371	0.00%	--	--	52.73%	--

Total Value = Residual Value + Distributions
Distributed to Paid in (DPI) = Distributions / Takedowns
Residual Value to Paid in (RVPI) = Residual Value / Takedowns
Total Value to Paid in (TVPI) = Total Value / Takedowns
% Funded = Takedowns / Commitment

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Active Manager Peer Group Comparison

Period Ending February 28, 2022					
Assets	Ticker	Morningstar Category	Benchmark	3 Year	5 Year
Large Cap Growth					
T. Rowe Price Large Cap Growth	TRLGX	Large Cap Growth	*Russell 1000 Growth - Total Return*	13	1
Edgewood Large Cap Growth	EGFIX	Large Cap Growth	*Russell 1000 Growth - Total Return*	6	1
Russell 1000 Growth - Total Return		Large Cap Growth		18	15
Large Cap Value					
Hartford Dividend and Growth	HDGFX	Large Cap Value	*Russell 1000 Value - Total Return*	7	5
Russell 1000 Value - Total Return		Large Cap Value		59	63
SMID Cap Core					
Eaton Vance Atlanta Capital SMID	ERASX	SMID Cap Core	*Russell 2500 - Total Return*	11	11
Russell 2500 - Total Return		SMID Cap Core		45	11
Large Cap International Growth					
Vanguard International Growth	VWILX	International Large Cap Growth	*MSCI ACWI Ex USA Growth*	4	2
MSCI ACWI Ex USA Growth		International Large Cap Growth		61	58
Large Cap International Value					
Artisan International Value Instl	APHKX	International Large Cap Value	*MSCI ACWI Ex USA Value*	2	2
MSCI ACWI Ex USA Value		International Large Cap Value		76	62
Emerging Markets					
Calvert Emerging Markets Equity R6	CVMRX	Emerging Markets	*MSCI Emerging Markets - Gross Return*	45	22
MSCI Emerging Markets - Gross Return		Emerging Markets		56	40
Intermediate-Term Bond					
Western Asset Core Plus Bond	WAPSX	Intermediate-Term Bond	*Bloomberg Barclays US Aggregate*	27	5
Dodge and Cox Income Fund	DODIX	Intermediate-Term Bond	*Bloomberg Barclays US Aggregate*	14	6
Bloomberg Barclays US Aggregate		Intermediate-Term Bond		51	47

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Economic Overview

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Looking back and looking forward

After ending a second year with COVID-19 as the dominant headline, the stock market powered higher in the final month of the year to cap off a stellar 2021.

With each subsequent COVID-19 surge there was a lower economic and market impact. Medical care has vastly improved, and unlike when the pandemic originally hit, businesses and consumers have adapted and now have a pandemic playbook.

During the year, our investment process led us to take advantage of many key market divergences:

- **Global stocks which were up 18.5%, outperformed bonds by almost 20% in 2021, benefitting our overweight to equities. We expect equities to continue to outperform bonds as Central Banks taper and the global recovery continues.**
- **Our overweight to domestic equities positively impacted portfolio performance for the year as broad U.S. equities were up 25.6%, beating international developed markets which were only up 11.2%, and emerging markets which were down -2.5%. We expect this divergence to continue as U.S. earnings outpace earnings abroad and the dollar stays firm.**
- **Our neutral Growth Style vs Value Style positioning worked out well as the Russell 3000 Growth and Value Styles ended the year with virtually the same gains. We expect this to continue as growth moderates and stimulus fades.**

As we look forward, we are anticipating another solid year for the economy and markets while recognizing the potential for higher volatility due to moderating global growth and stimulus.

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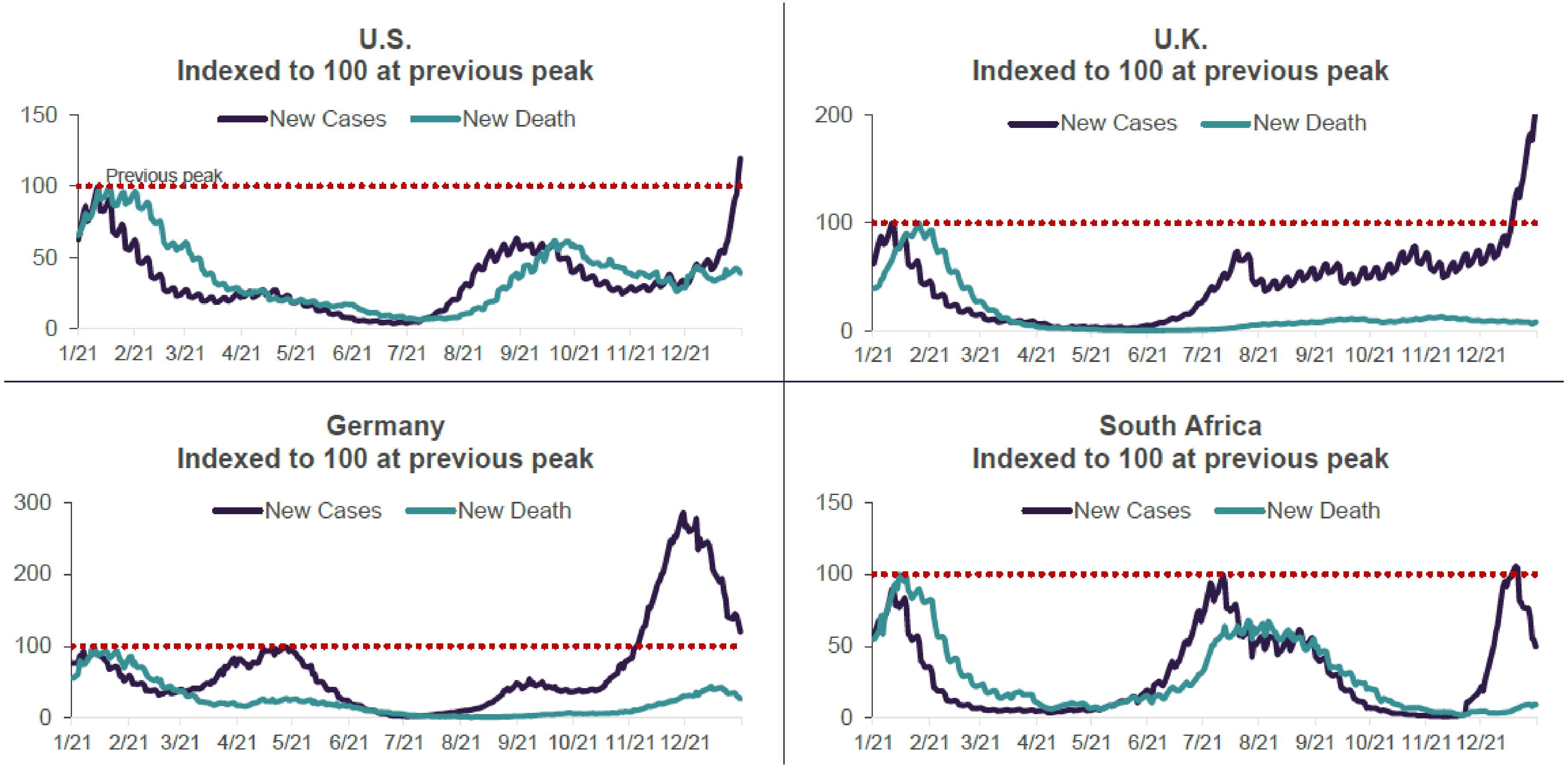
New COVID-19 cases well above prior peak but related deaths well below



Data Source: Truist IAG, Bloomberg, New Cases and Deaths (7-day average).

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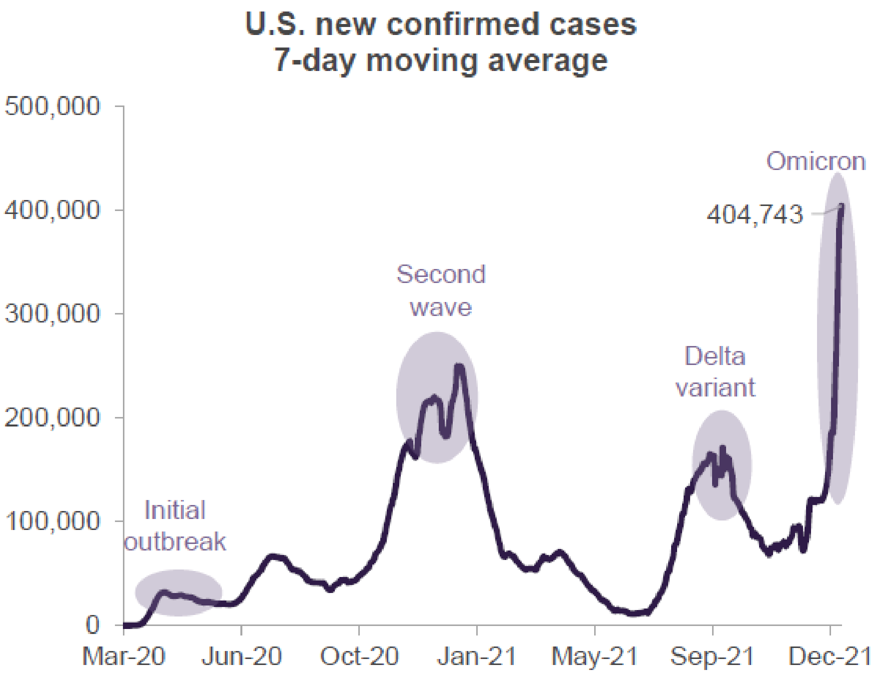
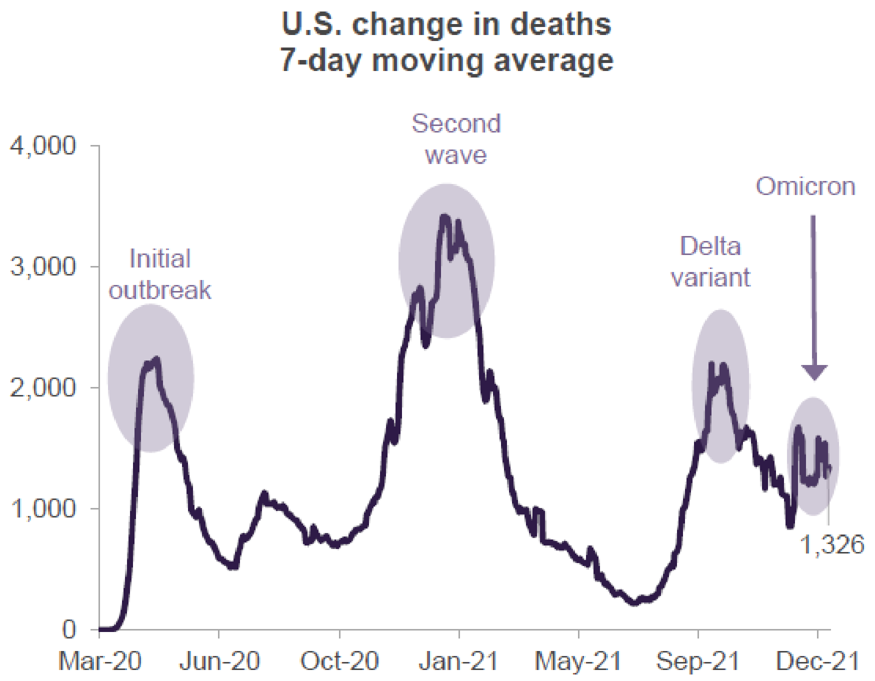
After the second wave, the pandemic has been less deadly thanks to vaccines and better treatments

While the omicron variant has spiked infections, the COVID-19 pandemic has become less deadly. Some epidemiologists theorize that—between infections and vaccines—the virus is running out of unexposed people to infect. Additionally, with the proliferation of at-home tests, it's also likely that millions of new cases are underreported, suggesting severe outcomes (hospitalizations/death) are becoming less prevalent. All of this means the virus is becoming more manageable.





Data Source: Truist IAG, Bloomberg, Johns Hopkins University through January 2, 2022. Data for 50 U.S. states plus American Samoa, Washington D.C., Guam, Northern Mariana Islands, Puerto Rico, and U.S. Virgin Islands. 7-day moving average (DMA).

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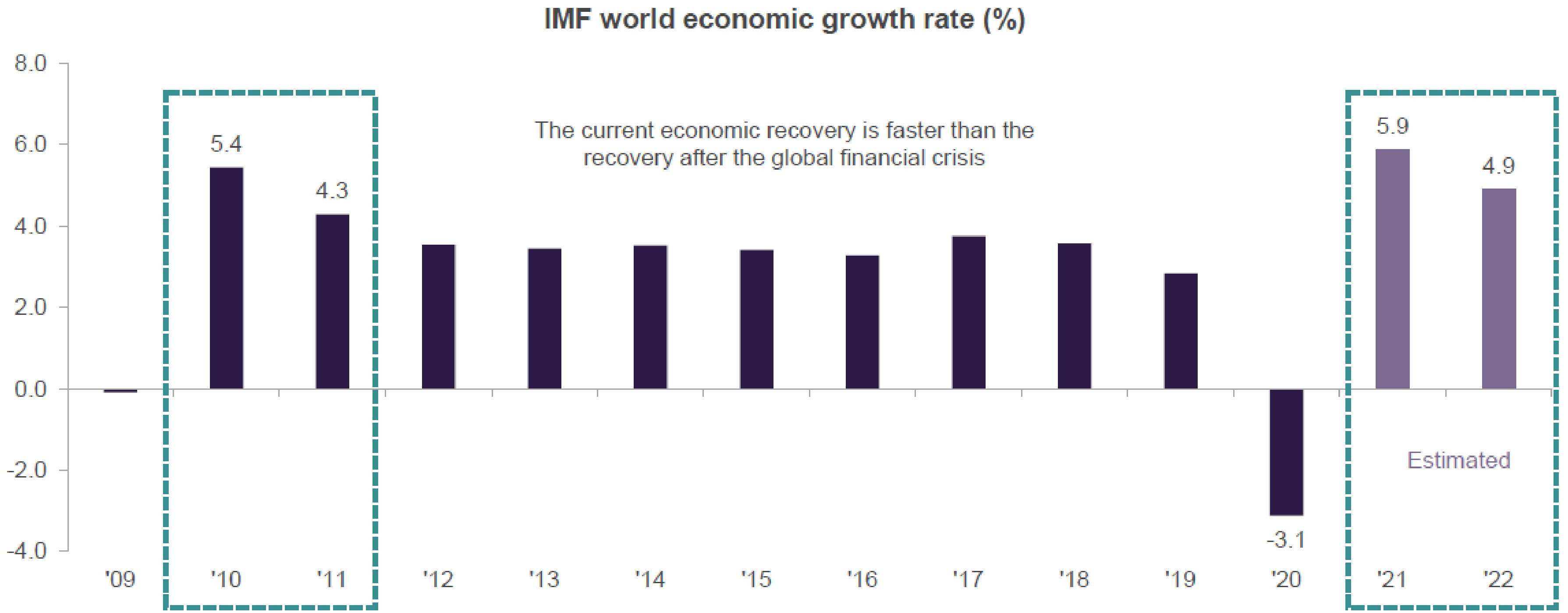
The world economy is projected to grow faster than post-GFC

- The world economy is projected to grow 4.9% in 2022, according to estimates from the International Monetary Fund (IMF)
- This is slightly stronger than the rebound coming out of the Global Financial Crisis in 2010



Sources: Truist IAG, Bloomberg, IMF

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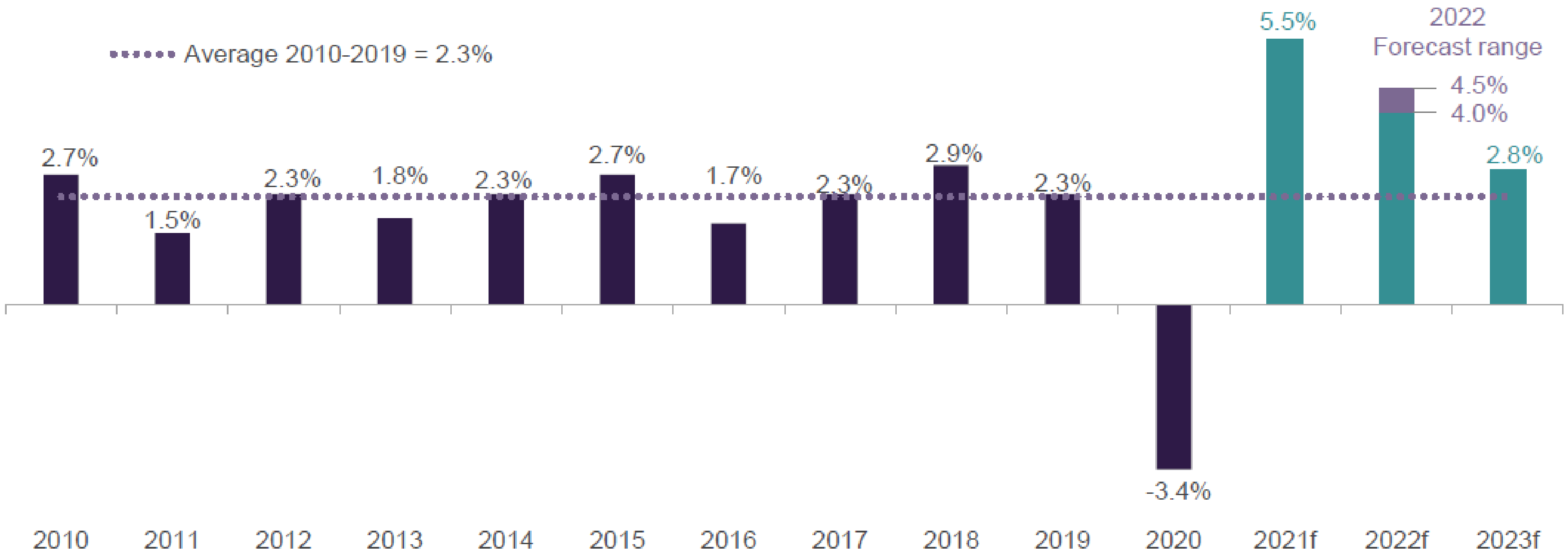
U.S. growth well above pre-pandemic trend through at least 2023

While growth will step down in 2022 as many pandemic assistance programs end, US economic growth should remain well above the pre-pandemic pace through at least 2023

***OUR TAKE**: The economic backdrop continues to be supportive of equities*

Growth of gross domestic product (GDP) by year



Sources: Truist IAG, Bureau of Economic Analysis, IHS Markit. Real GDP, actual for 2014 through 3Q2021. (f) = Truist IAG forecast for 4Q2021 through 2023

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Rebuilding of depleted inventories and massive order backlogs are tailwinds for economic growth in 2022

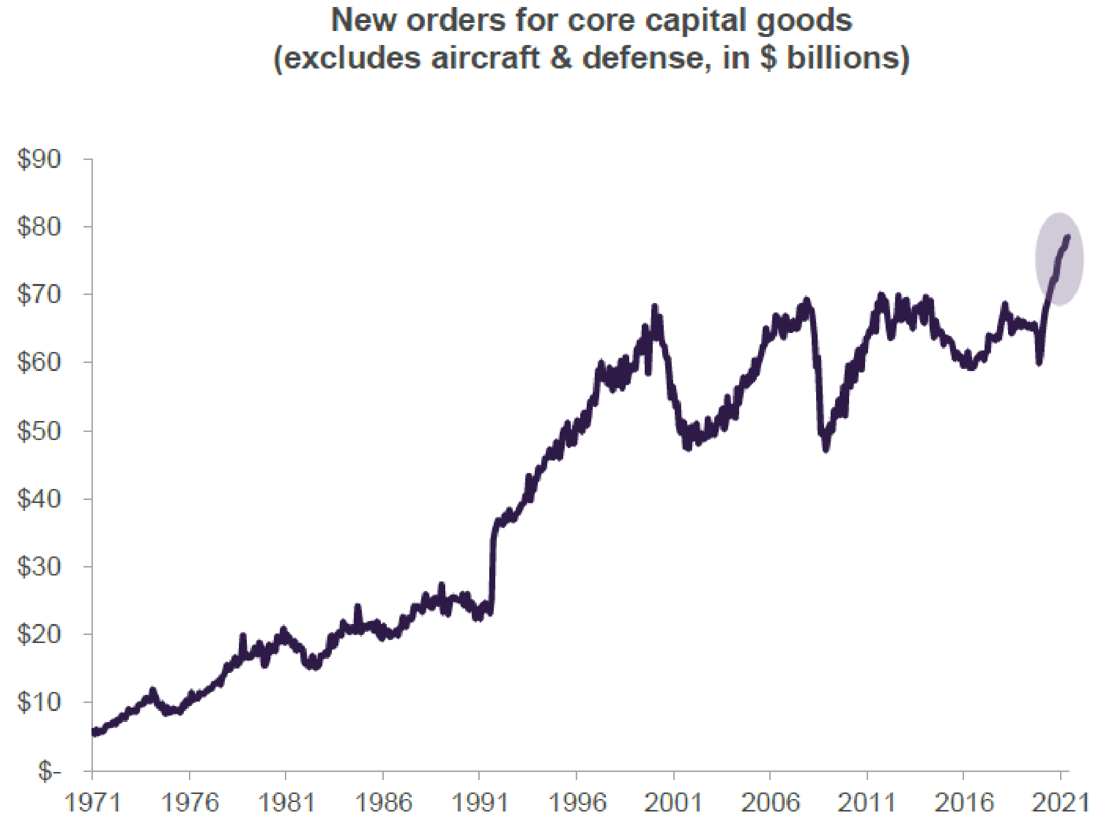
- ❑ Business inventories, which ballooned during the 2020 lockdown, quickly plunged as demand came roaring back
- ❑ Inventories remain depleted 18 months later by nearly any measure and are hovering near 30-year lows

Inventories to sales ratio

Source: Truist IAG, U.S. Census Bureau, monthly data through September 2021

Surging business spending is another support for growth in 2022

- ❑ New orders for core capital goods (buildings, equipment, furniture, machines) have surged to new highs
- ❑ These goods are used by businesses to produce other goods
- ❑ Record corporate profits and cash levels offer continued support

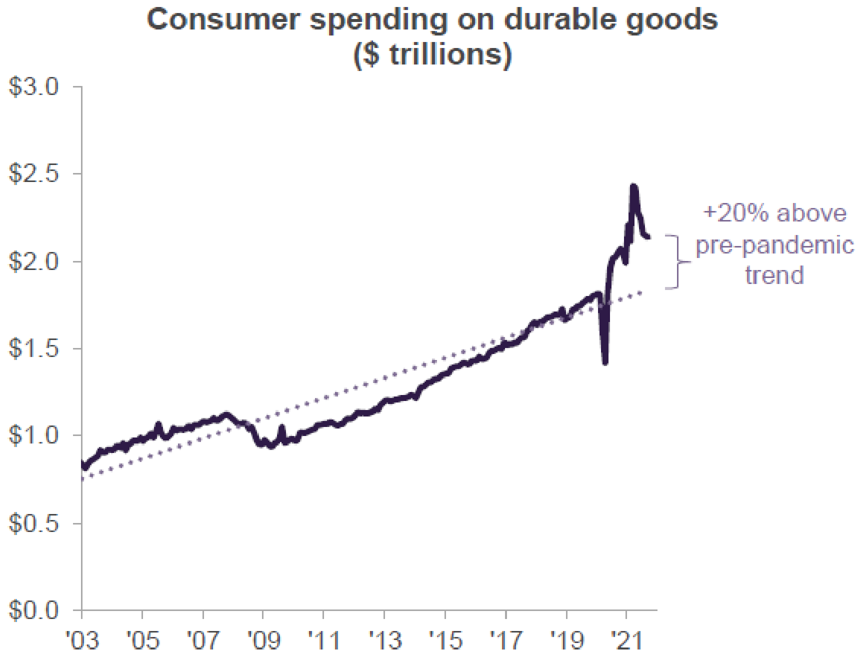


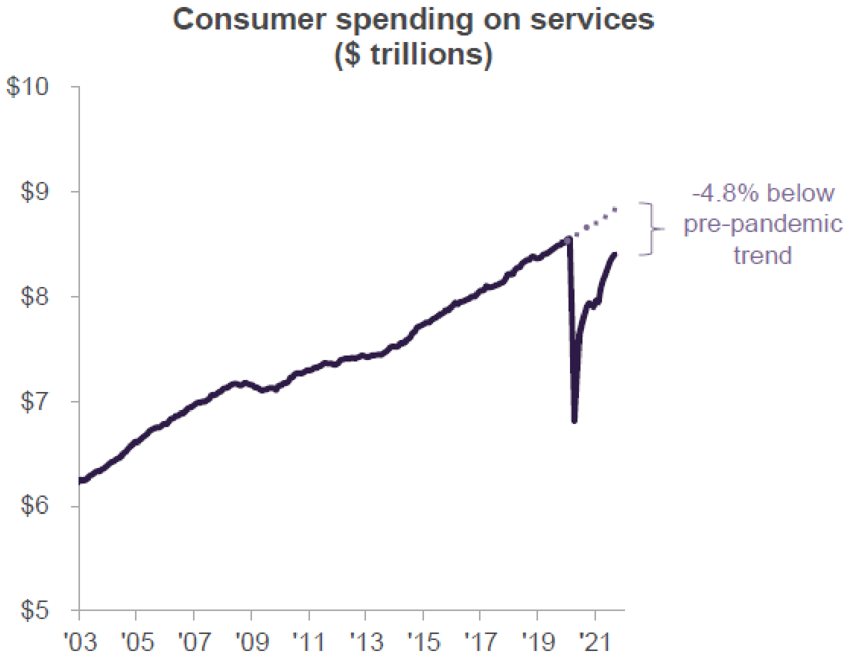
Source: Truist IAG, Bloomberg; monthly data through October 2021

TRUIST

We expect consumer spending to shift back toward services from goods, helping ease supply chain issues and cool inflation

- ❑ Spending on big-ticket items such as appliances, furniture, vehicles is roughly 20% above pre-pandemic trend
- ❑ While still strong, these big-ticket purchases have declined in recent months from their peak, which should gradually ease supply chain challenges and inflationary pressures





Source: Truist IAG, Bloomberg, Bureau of Economic Analysis; monthly data through October 2021

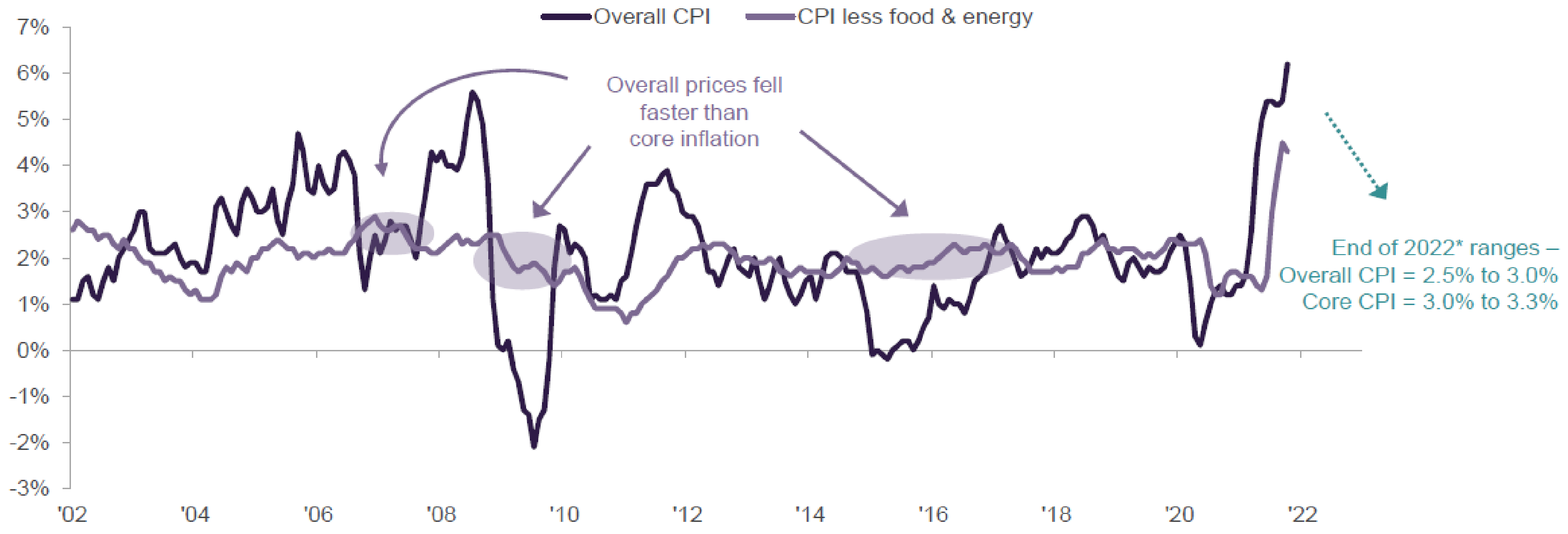
TRUIST

Shifting inflation dynamics – Overall inflation will fall faster than Core in 2022

We expect overall inflationary pressures to ease as production and supply chains recover and consumer spending shifts back toward services. Pandemic induced inflation is the result of temporary global supply shutdowns and unprecedented government stimulus unleashed during the first few waves of COVID. This is very different from the persistent inflation of the 1970's driven primarily by two major enduring developments: 1) currency devaluation as the gold standard constraint was removed from the global monetary system, and 2) energy shocks as OPEC exerted its influence on energy markets.

- Housing prices within CPI, which have an outsized weight in the Core CPI reading, are not expected to fall as quickly. Also, services represent an outsized weight in Core CPI.
- Accordingly, we expect the pace of *overall* inflation will likely fall faster than *core* prices going forward as stimulus fades as it did after the Global Financial Crisis fiscal stimulus ended in 2012 and monetary tapering began in 2014.
- Equities have historically been a better inflation hedge than fixed income and our overweight to equities and underweight to fixed income should provide protection from the current elevated level of inflation while we wait for prices to cool.

Consumer Price Index (year-over-year change)

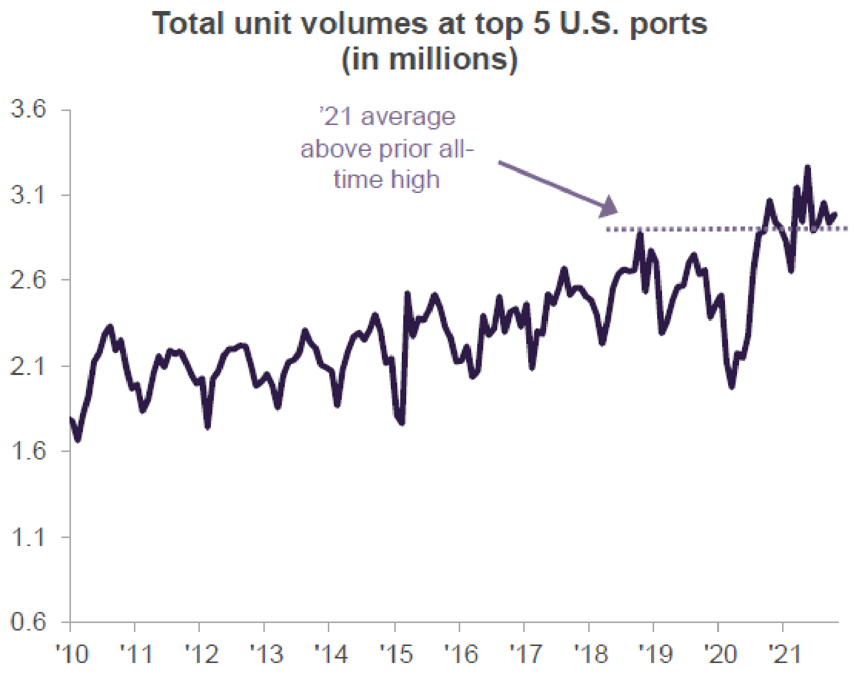


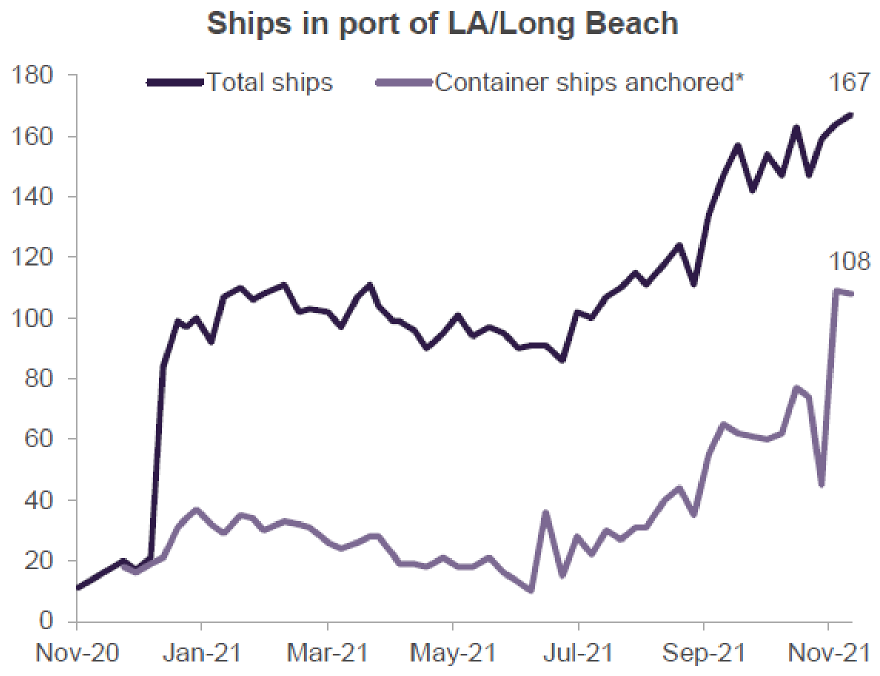
TRUIST

Source: Truist IAG, Haver, Bureau of Labor Statistics; data through October 2021. Core consumer price index excludes food and energy. *Truist IAG forecast for 2022.

Port bottlenecks were partly caused by huge stimulus-induced demand and *Just in Time* inventory systems, but constraints should subside during 2022

Huge demand is one of the underappreciated reasons behind the supply chain challenges, but this should ease as consumer spending shifts more toward the services sector in 2022 and as unprecedented levels of COVID fiscal stimulus fade.





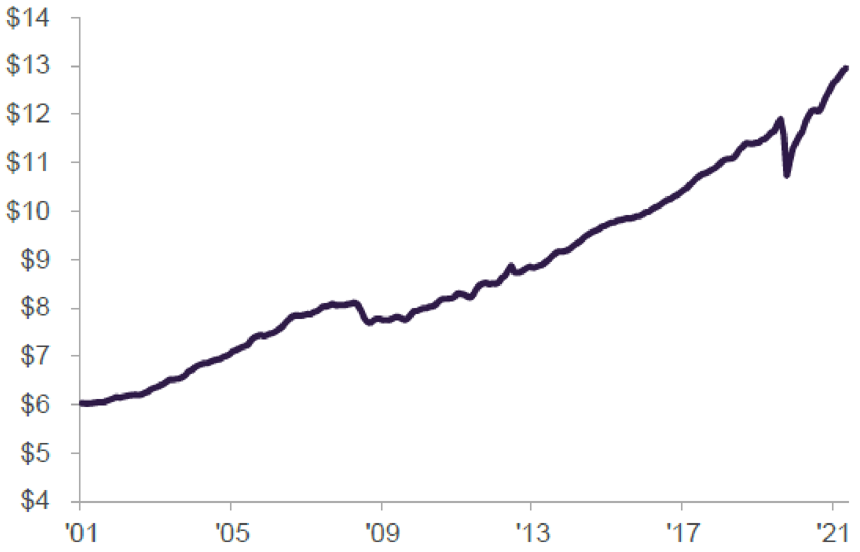
Source: Truist IAG, Bloomberg, monthly data through October 2021. *Container ships anchored includes anchoring, loitering, or in designated drift areas.

TRUIST

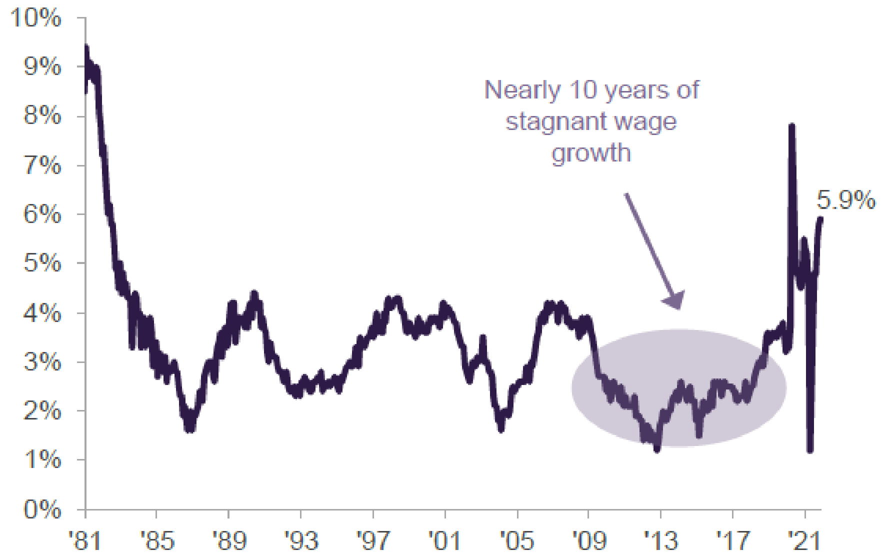
Rising wages are a double-edged sword – pushing inflation, but also driving economic growth

Rising wages are inflationary. Yet, wages are also income for workers and are eventually spent on goods and services. Further, wages are rising for rank and file workers, catching up after a decade of stagnant wage growth following the global financial crisis.

Wages & salaries (in $trillions)



Average hourly earnings of production & nonsupervisory employees (year-over-year change)

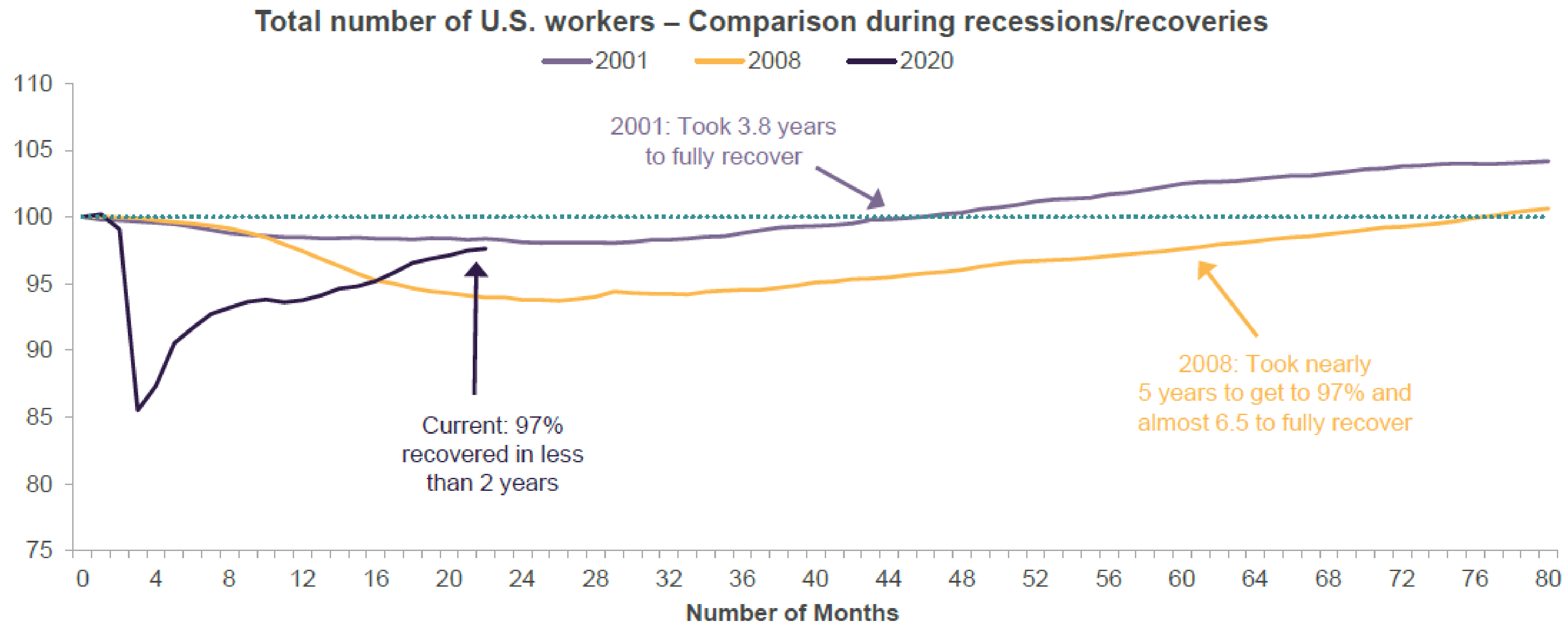


Data Source: Truist IAG, Bloomberg, Bureau of Economic Analysis, Bureau of Labor Statistics; monthly data through November 2021.

TRUIST

U.S. recovering jobs much faster than the prior two recoveries

Although not fully recovered and starting from a much deeper hole, the rebound in jobs has been dramatically faster than the last two recoveries.

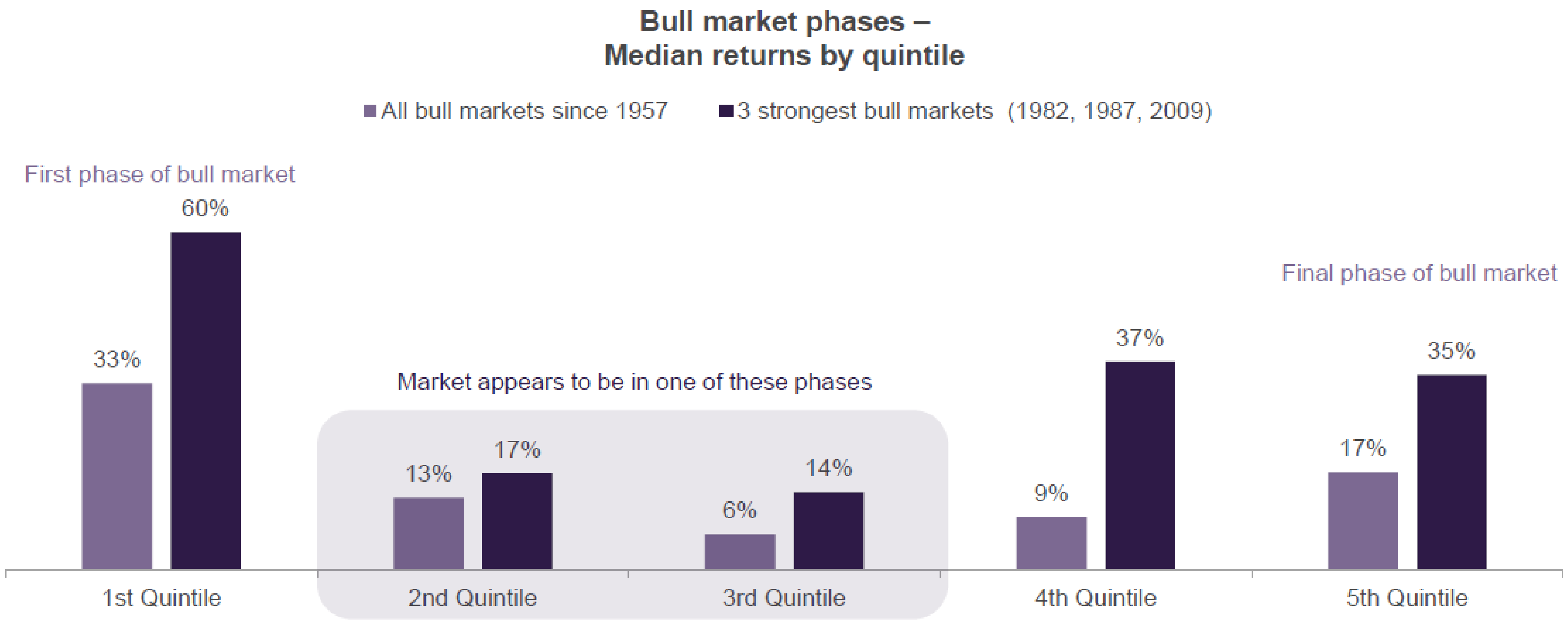


Data Source: Truist IAG, Haver, Bureau of Labor Statistics. Monthly data through November 2021.

TRUIST

Moderating phase of equity market

- The first phase of an equity market uptrend tends to see the strongest gains
- In the current phase, we expect positive but moderating returns, sustained by solid fundamentals and earnings

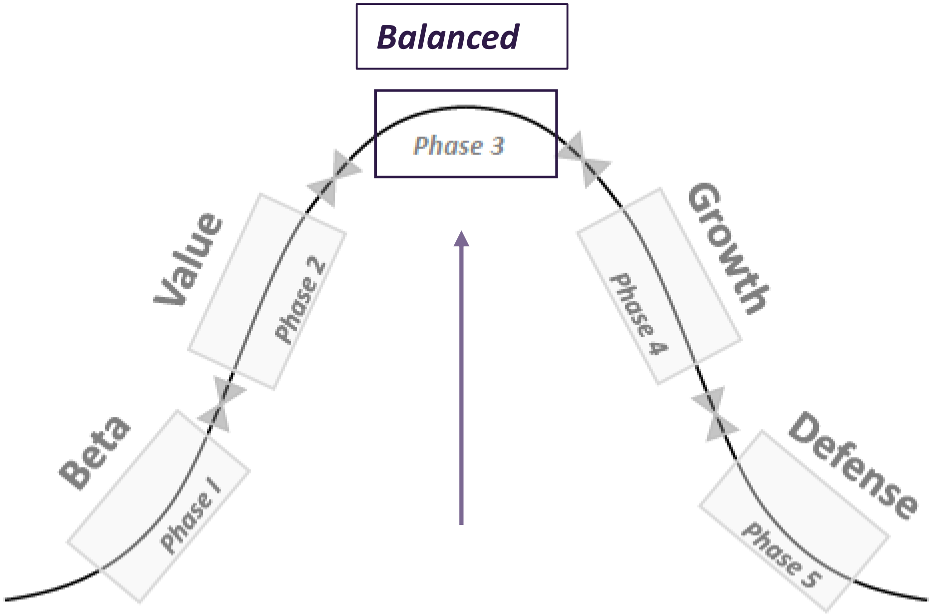


Sources: Truist IAG, Bloomberg. Past performance does not guarantee future results.

The current environment supports a balanced risk profile for equities

- ❑ Although acceleration in growth is behind us, neither do we expect a sustained economic slowdown
- ❑ We anticipate a push and pull pattern between risk and reward, where quality is likely to be rewarded regardless of Growth/Value style

OUR TAKE : *Phase 3 – the Balanced Phase – tends to favor companies with positive earnings momentum*



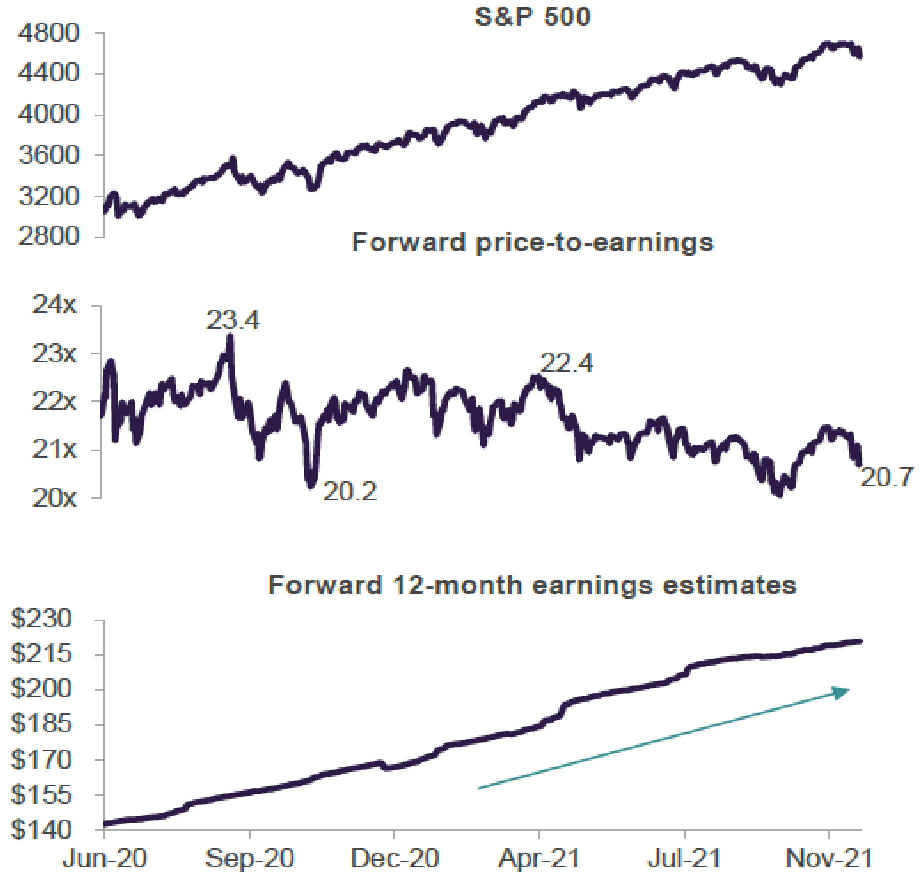
Sources: Truist IAG, Cornerstone Macro

Earnings to remain a key driver of returns, while P/E stays range bound

- ❑ One of our key themes was that earnings and the adaptability of corporate America were underappreciated
- ❑ Market gains of the past year were earnings driven
- ❑ A still-resilient economy should buffer the downside

OUR TAKE:
We expect valuations to remain range bound in 2022. We have seen significant upward earnings revisions as the economy recovers. This bodes well for higher-quality companies in our portfolio.

Sources: Truist IAG, FactSet. Past performance does not guarantee future results.

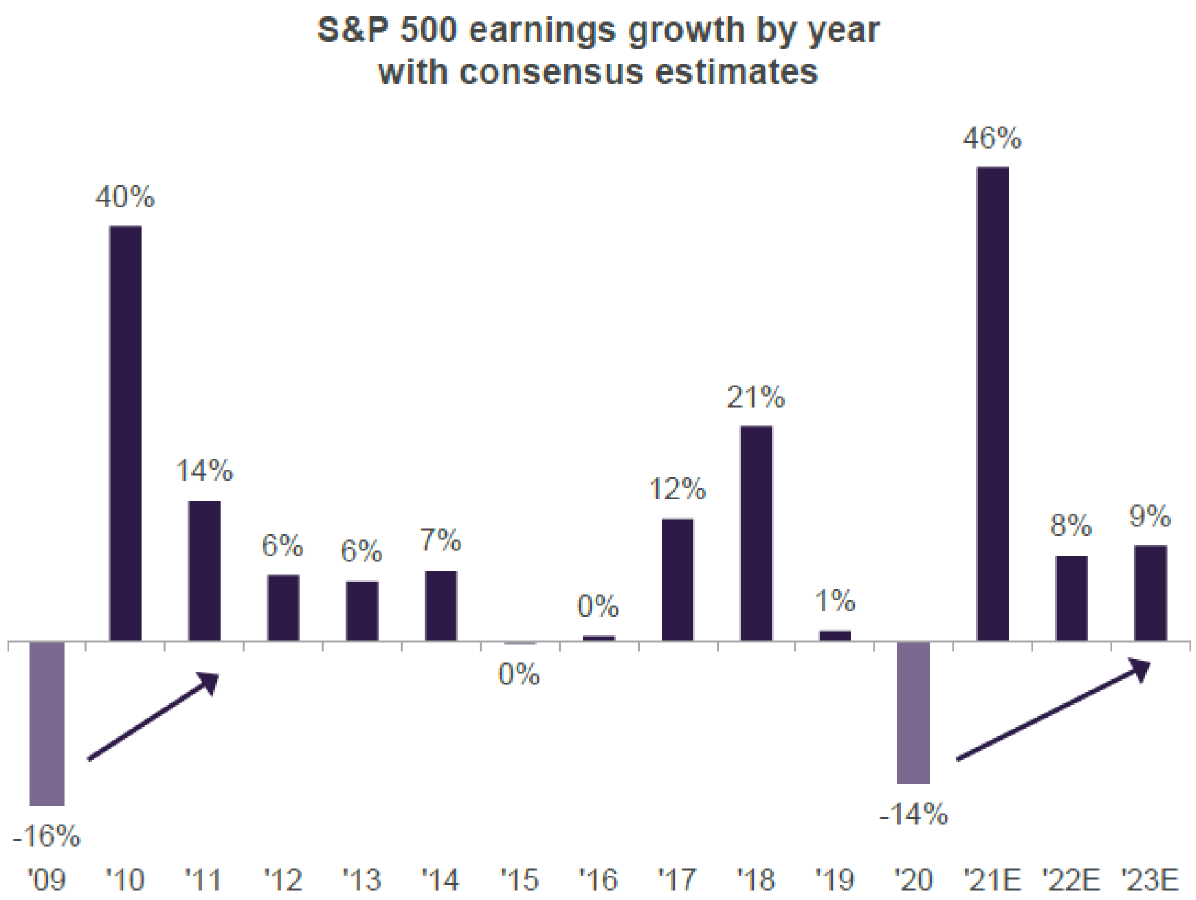


TRUIST

Earnings growth trajectory closely tracking the recovery from last recession

- ❑ After a steep decline during the first year of the pandemic, corporate profits have rebounded swiftly
- ❑ Consensus is estimating between 8% and 9% earnings growth over the next two years

OUR TAKE:
We see upside potential for earnings growth in 2022 given our above-consensus economic outlook



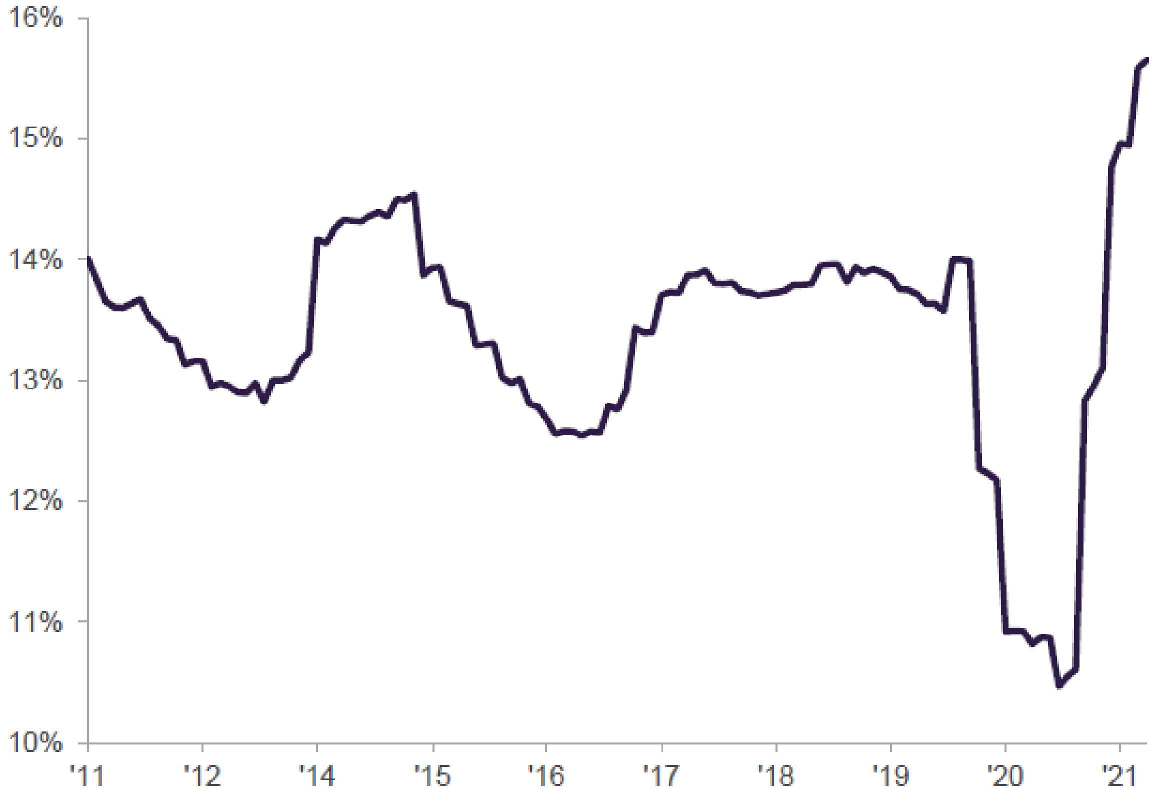
Sources: Truist IAG, FactSet

Corporate margins set to remain strong despite challenges

- ❑ Companies have been able to maintain high profit margins despite challenges from supply chain disruptions, wage increases, and commodity inflation
- ❑ This has been aided by pricing power and companies' ability to adapt and become more efficient and productive through the pandemic

OUR TAKE:
High margins resulting from increased productivity can support higher earnings growth and may also help companies mitigate the effects of higher input costs.

S&P 500 trailing 12-month operating margin



Sources: Truist IAG, Strategas

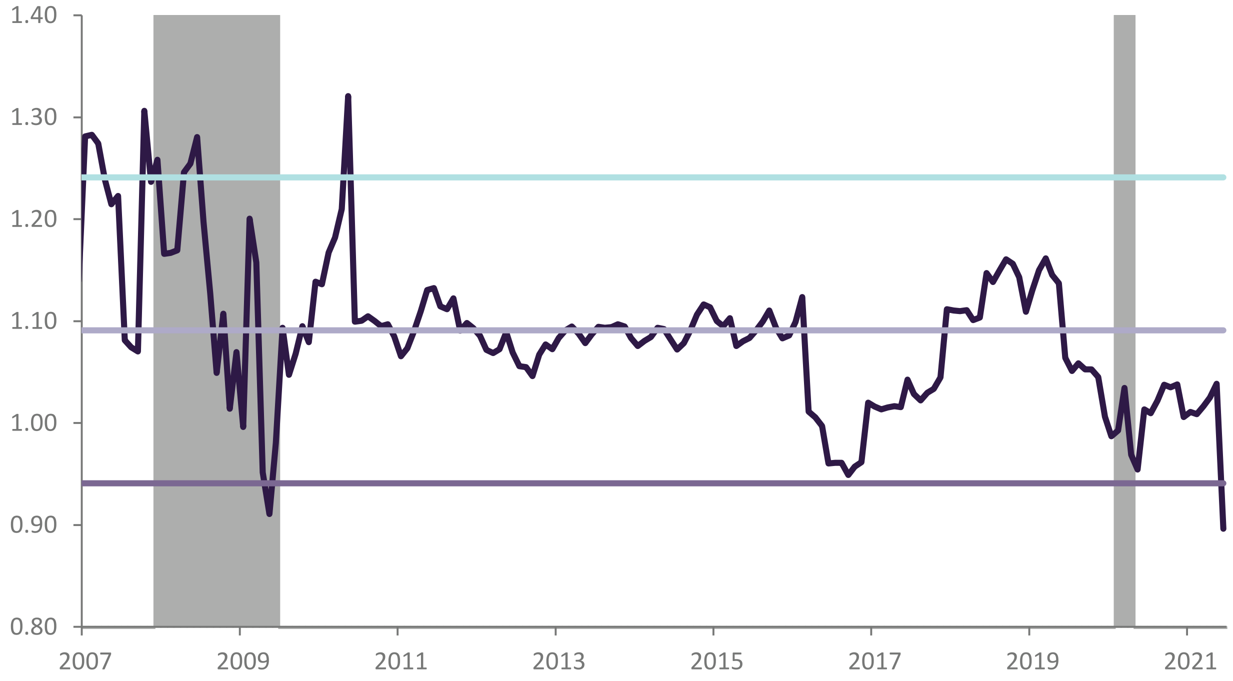
TRUIST

Higher quality stocks currently trading at a discount to the broader market

- ❑ Higher quality domestic stocks are currently trading at the largest discount to the broad market since the dotcom bubble of the early 2000's and the March 2009 trough of the Great Financial Crisis
- ❑ Quality stocks are those firms that have reasonable PE ratios, quality earnings, pricing power, a track record of returning capital to shareholders in a disciplined manner, accounting integrity, and strong cash flows and balance sheets
- ❑ Lower quality also outperformed in midcaps and small caps last year as Meme stocks were included in benchmarks

OUR TAKE:
This should eventually favor active equity managers in our portfolio who have a strong quality bias in stock selection.

Forward price-to-earnings ratio of quality stocks vs. broader market



Gray bars represent recessions

Sources: Truist IAG, FactSet. Quality stocks – Invesco S&P 500 Quality ETF; Broader market = S&P 500

TRUIST

Narrow market leadership is challenging domestic equity managers

- 5 mega cap US stocks, Microsoft, Google, Apple, Nvidia and Tesla are driving the market higher and accounted for close to 1/3 of the S&P500's gain last year.
- Active managers will probably not own Tesla with it's high 300+ PE level and will be more diversified compared to the index holding percentages for these popular mega cap stocks.
- These periods of narrow market leadership typically do not persist, but can create challenges for active equity managers who follow a disciplined, diversified approach and select securities with more reasonable valuations.

Source: Cornerstone Macro Research LLC. Past performance does not guarantee future results.

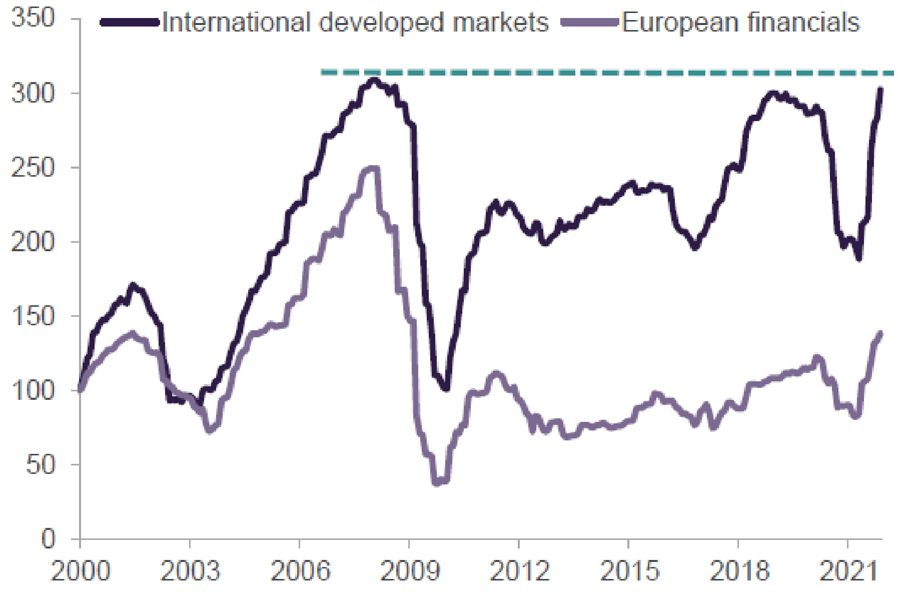
TRUIST

Stay underweight international development equities until profit trends show improvement relative to the U.S.

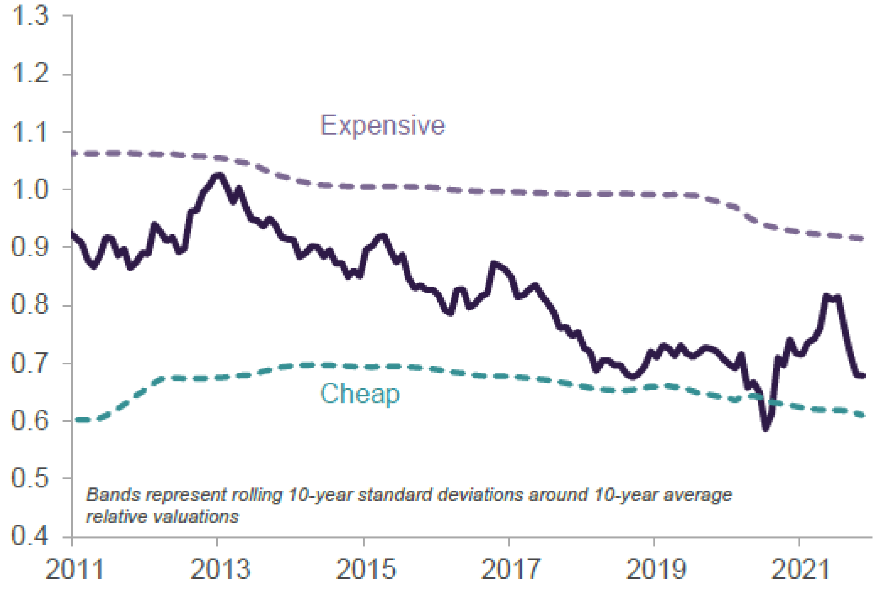
- ❑ International developed markets' earnings are still below where they were prior to the financial crisis
- ❑ European banks are one cause of this
- ❑ Although valuations are cheap, we expect valuations to remain in a lower range given structural headwinds

***OUR TAKE:** We await better relative earnings and price trends before increasing our exposure*

Trailing earnings of int'l developed markets and European financials lackluster



International developed markets relative to the U.S. – Trailing price-to-earnings

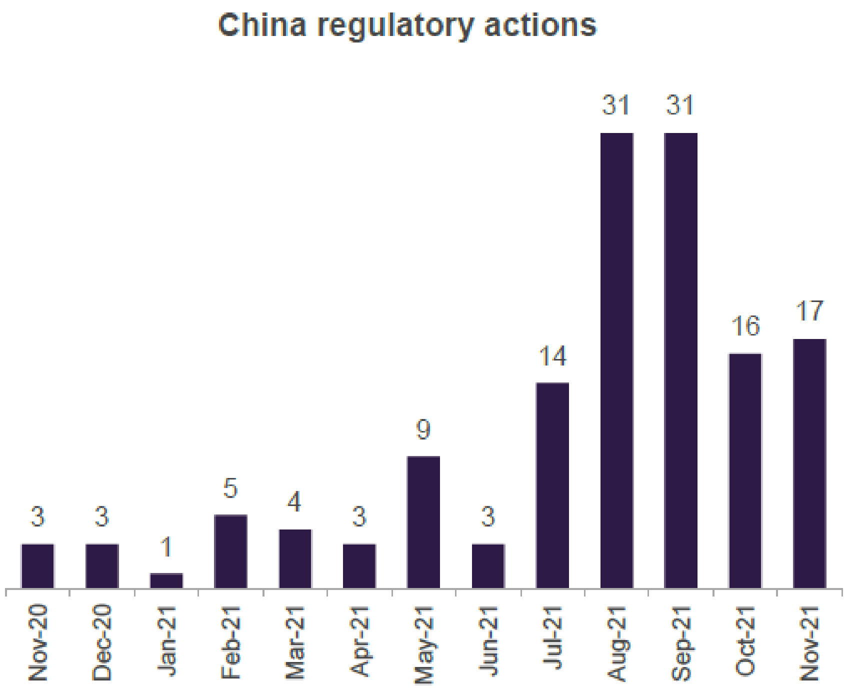


TRUIST

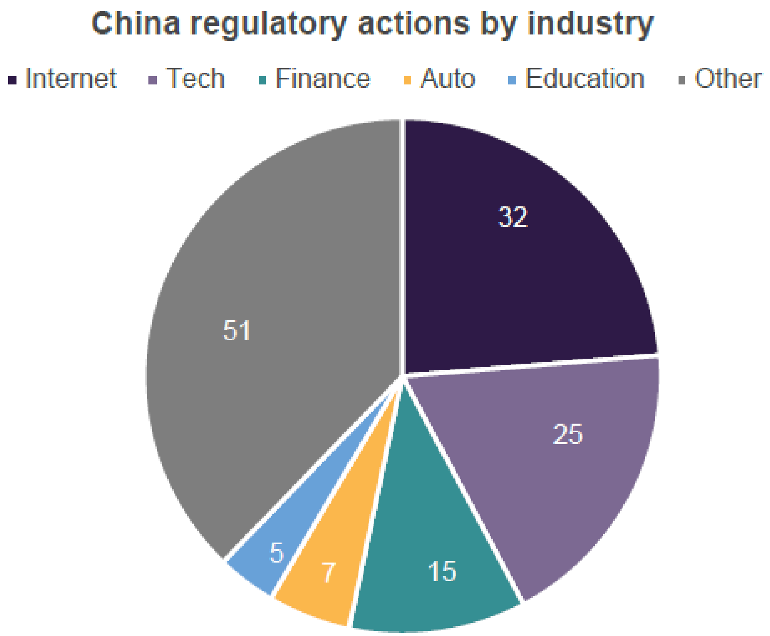
Sources: Truist IAG, FactSet, MSCI. Earnings in local currency. International developed markets = MSCI EAFE; European Financials = MSCI Europe/Financials

China's Regulatory Actions Against Companies Persist

Part of the reason for our heightened concerns about the Chinese government's crackdown against companies is that it has become more frequent as well as wider in scope, and other industries are likely to be in the crosshairs.



Sources: Truist IAG, Cornerstone Macro



TRUIST

Fed rate hikes likely to inject volatility into the market, but stocks tend to outperform fixed income during tightening cycles

Equities have generally had positive performance during periods where the Fed funds rate is rising because this is normally paired with a healthy economy. The one exception was the 1972-1974 period, which coincided with the 1973-1975 recession.

		Annualized returns for periods greater than 12 months				
Periods of rising Fed funds rate		U.S. large cap equity (%)	U.S. small cap equity (%)	U.S. intermediate-term government bonds (%)	U.S. long-term government bonds (%)	Core taxable bonds (%)
8/1954	10/1957	13.7	10.9	0.1	-2.5	
6/1958	11/1959	24.5	31.6	-3.2	-6.4	
8/1961	11/1966	7.0	12.7	2.9	2.2	
8/1967	8/1969	3.7	12.4	2.7	-2.6	
3/1972	7/1974	-8.6	-19.4	2.3	-0.4	
2/1977	6/1981	11.5	34.9	3.7	-1.4	2.5
3/1983	8/1984	13.2	12.3	5.9	1.7	6.5
1/1987	5/1989	16.2	11.1	6.1	5.7	6.9
2/1994	2/1995	4.1	2.2	-2.3	-4.6	0.0
6/1999	5/2000	10.5	20.7	3.1	3.7	2.1
6/2004	6/2006	8.2	13.5	1.8	5.4	3.1
12/2015	12/2018	8.4	5.4	1.5	2.3	1.9
Average		**9.4**	**12.4**	**2.1**	**0.3**	**3.3**

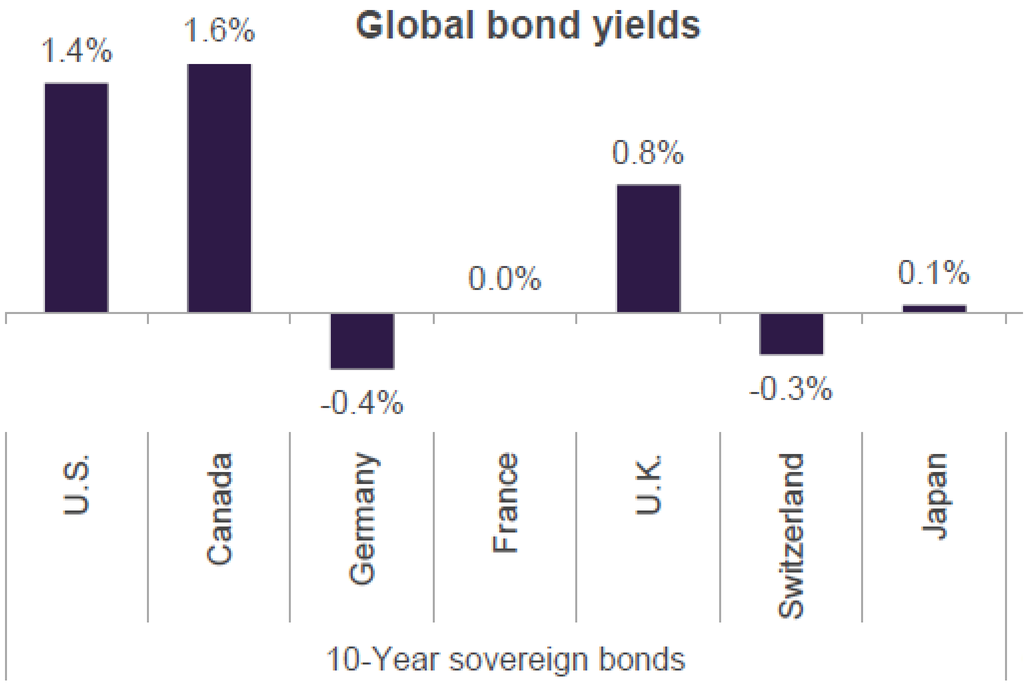
Data Source: Truist IAG, Morningstar, Haver. Core taxable bonds = Bloomberg U.S. Aggregate, U.S. large cap = S&P 500, U.S. small cap = IA SBBI U.S. Small Stock, U.S. intermediate-term government bonds = IA SBBI U.S. IT Govt, U.S. long-term government bonds = IA SBBI U.S. LT Govt.

Rising Fed rate periods constructed using the Federal funds effective monthly average rate from 1954 – 1981; thereafter, the Fed funds target rate is used.

TRUIST

Lower foreign yields have supported attractiveness of U.S. fixed income

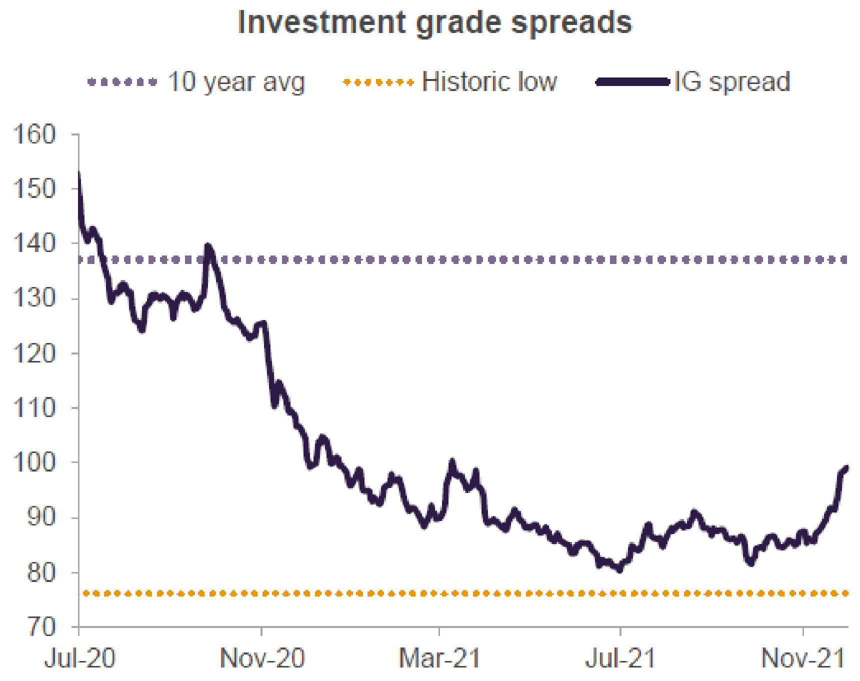
- International investors have provided a powerful source of demand for U.S. debt given its relatively high yields
- The high demand for US debt has suppressed yields and may continue to do so going forward

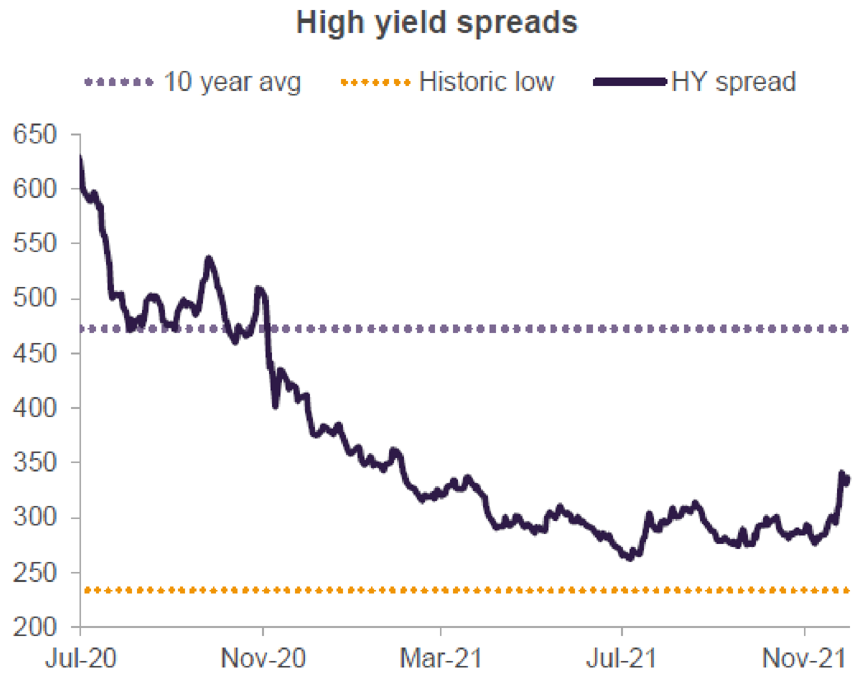


Sources: Truist IAG, Bloomberg. Data as of 9/30/21

U.S. credit spreads stable but remain historically tight

- ❑ Credit spreads between investment grade and high yield corporate bonds versus U.S. Treasury yields are trading near historically tight levels
- ❑ Firm credit spreads are a positive signal of overall economic health
- ❑ Corporate bonds continue to attract investors for their incremental yield advantage





Sources: Truist IAG, Bloomberg. Bond sectors are represented by Bloomberg Barclays indices for Investment Grade and High Yield Corporate bonds.

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