ECONOMIC AND FINANCIAL WHIPLASH

INVESTMENT STRATEGY AND CAPITAL MARKET OUTLOOK

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ECONOMIC & MARKET FORECASTS

- Transitional COVID-19 health crisis has uncertain adverse economic consequence dependent on government decisions that tend to restrict economic activity and trade
- Curative therapies bridge gap to vaccine, as public-private partnership fosters innovation
- Vaccine development of multiple alternatives available at scale in Q4/Q1-2021, but will public embrace it with increased concern about any vaccine use?
- Managed transitory collapse of US economic activity can reverse quickly—reversal now apparent even sooner and stronger than SFM expected, but on watch for double-dip risk.
- Retail, travel & hospitality (restaurants, airlines) most affected, but technology least
- “V-shaped” recovery visible in economic data, equities–but not earnings or bond yields

Economic Forecasts	**2016**	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**
GDP Growth (Y/Y Real)	1.9	2.6	3.0	**2.4**	**-2.0**	**4.0**	**3.5**
S&P500 Earnings Gr.	0.5	11.8	22.7	**0.6**	**-7.9**	**20.0**	**8.3**
CPI Inflation (Y/Y)	2.1	2.1	1.9	**2.3**	**1.0**	**2.0**	**2.3**
Unemployment	4.7	4.1	3.9	**3.5**	**7.0**	**5.0**	**5.0**
Fiscal Deficit (vs.GDP%)	-3.7	-4.1	-5.1	**-5.7**	**-11.0**	**-6.5**	**-5.5**
Fed Funds Target[1]	0.75	1.50	2.50	**1.75**	**0.25**	**1.00**	**2.00**
10y Treasury Notes	2.45	2.41	2.69	**1.92**	**1.00**	**1.75**	**3.00**
S&P 500 Target	2239	2674	2507	**3231**	**3250**	**3450**	**3650**

Source: Strategic Frontier Management (Year-end or Y/Y change)
1. Target denotes top of published policy target range

RESILIENT EQUITY OUTLOOK—BUT NOT BONDS

Fragile confidence results from policy uncertainty, household and business uncertainty, as well as investor anxiety, monetary policy extremes, fiscal imbalances, and geopolitical concerns.

Asset Valuation

- Global Bonds extremely overvalued after central bank intervention
- Global Equity valuations uncertain, undermined by declining earnings
- U.S. earnings supported by higher secular profit margins, buybacks
- So, U.S. Earnings Yield – Treasury Yield can be compelling given normalized earnings, even if cyclically depressed

Economic Conditions

- Inflation limited by secular disinflation and flows of excess liquidity to capital markets and housing, but evidence of cyclical inflation remains
- US/UK/Canada growth still stronger than Japan or Europe.
- Fiscal policy stimulus addictive, difficult politically to suspend in 2020
- Emg Mkts: Urbanization/Industrialization, Irrepressible Demand waning

Interest Rates

- Low interest rates and excessive monetary stimulus must *Normalize*
- Rising rates in U.S. Canada, U.K.as Fed holdings decline by Q2/2021
- Manipulating yield curve distorted risk premium, promoted *moral hazard*

Market Interrelationships

- Changing volatility and correlation behavior or volatility-of-volatility
- Private market (σ,ρ) risk assumptions too low due to mark-to-market lag
- New ETFs/Indies increasing investable dimensions; risk factor investing
- Don't dismiss MPT, international diversification, *Countries Still Matter*

CAPITAL MARKET REVIEW—EQUITIES ANTICIPATE

Total Return	3-Mon	6-Mon	YTD	1-Yr	3-Yr	5-Yr	10-Yr	20.Yr	30.Yr
S&P 500 Index	20.5	-3.1	-3.1	7.5	10.7	10.7	14.0	5.9	9.7
NASDAQ Composite	30.8	12.6	12.6	27.2	18.8	16.0	18.1	5.9	12.0
Russell 2000	25.4	-13.0	-13.0	-6.6	2.0	4.36	10.5	6.7	8.9
Russell Value-Growth	-13.5	-26.1	-26.1	-32.1	-17.2	-11.2	-6.8	0.9	-0.9+
Non-US (World xUS)	15.5	-11.2	-11.2	-5.0	1.4	2.5	6.0	3.5	5.1
Emerging Markets	18.2	-9.7	-9.7	-3.0	2.3	3.2	3.6	6.9	7.6
Small-cap Global	25.3	-11.4	-11.4	-4.7	3.0	3.8	8.5		
US 10-Year Treasury	0.3	14.6	14.6	16.7	8.0	5.6	4.9	5.7	6.3
US Aggregate Bonds	3.1	6.3	6.3	8.9	5.4	4.3	3.9	5.2	6.0
BAML High Yield Bonds	9.6	-4.8	-4.8	-1.1	2.9	4.6	6.5	6.8	8.1
Short-term Bonds	1.8	4.0	4.0	5.4	3.5	2.4	1.8	3.3	4.3
JPM Non-US Bonds	2.4	1.2	1.2	1.1	2.9	3.4	1.8	4.2	5.5
US Dollar (TWI)	-1.7	4.9	4.9	5.2	1.7	1.5	2.0	-0.2	0.1
CRB Commodity Index	7.8	-13.1	-13.1	-8.1	-3.1	-3.3	-2.5	2.5	1.5
WTI Oil (US$)	91.7	-35.7	-35.7	-32.6	-5.1	-8.0	-6.3	1.0	2.8
Gold (US$)	10.6	17.3	17.3	26.3	12.8	8.8	3.7	9.5	5.6

Source: Returns as of June 30, 2020 in US Dollars. Performance exceeding 1-year annualized.

S&P 500 SECTOR TOTAL RETURNS

Significant differences observed over intermediate and long-term offer tactical opportunities

S&P 500 Sector Return	3 mo	YTD	12mon	3-year	5-year	10-year	20-year	30-year
Technology	30.5%	15.0%	**35.9%**	26.8%	23.4%	20.5%	5.1%	12.1%
Consumer Discretionary	32.9%	7.2%	**12.6%**	15.3%	13.2%	18.2%	8.6%	10.6%
Communication Services	20.0%	-0.3%	**11.1%**	8.6%	7.2%	10.6%	1.9%	5.7%
Health Care	13.6%	-0.8%	**10.9%**	10.3%	8.1%	15.7%	7.3%	10.9%
S&P 500	**20.5%**	**-3.1%**	**7.5%**	**10.7%**	**10.7%**	**14.0%**	**5.9%**	**9.7%**
Consumer Staples	8.1%	-5.7%	**3.6%**	5.0%	7.2%	11.8%	8.6%	9.9%
Materials	26.0%	-6.9%	**-1.1%**	3.9%	5.4%	9.9%	8.1%	7.5%
Utilities	2.7%	-11.1%	**-2.1%**	6.4%	10.2%	11.3%	7.0%	7.4%
Industrials	17.0%	-14.6%	**-9.0%**	1.9%	6.7%	11.8%	6.2%	8.7%
Real Estate	18.6%	-15.9%	**-12.3%**	-1.4%	2.5%	8.6%	6.4%	7.2%
Financials	12.2%	-23.6%	**-13.9%**	0.1%	5.4%	9.7%	3.2%	7.8%
Energy	30.5%	-35.3%	**-36.1%**	-12.5%	-9.2%	0.2%	3.8%	6.2%
S&P 500 Quality	19.0%	-2.0%	9.3%	10.5%	10.7%	14.4%	6.5%	10.9%
S&P 500 Low Volatility	6.7%	-13.5%	-7.2%	6.2%	9.0%	12.4%	9.7%	10.3%
S&P 500 Low Vol+Hi Div	11.5%	-23.1%	-17.6%	-2.1%	5.3%	10.8%	10.5%	10.9%

Source: Refinitiv DataStream and Strategic Frontier Management
Note: Market returns as of June 30, 2020. Performance longer than 1-year is annualized.

WHAT MATTERS MOST FOR INVESTORS?

Great Inflection Point **normalizing interest rates**, but shouldn't limit US equities

- After falling for 30 years, significant implications of rising interest rates, unwinding QE
- Negative real global bond returns, risk uncertainty of evolving volatility and cross-asset correlation
- Explicit moral hazard in global market/rate manipulation for extended period → imbalances, biases
- Flat-Inverted US yield curve not sustainable, nor necessarily a precursor to recession or deflation
- Increasing risk of government debt crisis from fiscal imbalance, credit ratings, currency devaluation – Japan, Eurozone, Puerto Rico, and state (inc. pension liabilities) muni bond issuers

Asynchronous Global Expansion transitioned from *Global Synchronized Recovery*

- Fiscal, Regulatory, and Monetary fiscal policy diverging---greater policy stimulus observed in U.S.
- Greater regional dispersion in real growth and inflation, so *Countries Still Matter*
- *Value vs. Growth and Small-cap* relative valuations reaching extremes with investor preferences
- Changes in labor markets and forces of *secular disinflation* still not appreciated

U.S. Equity Valuations still favorable if Earnings rebound, Low Rates Persist

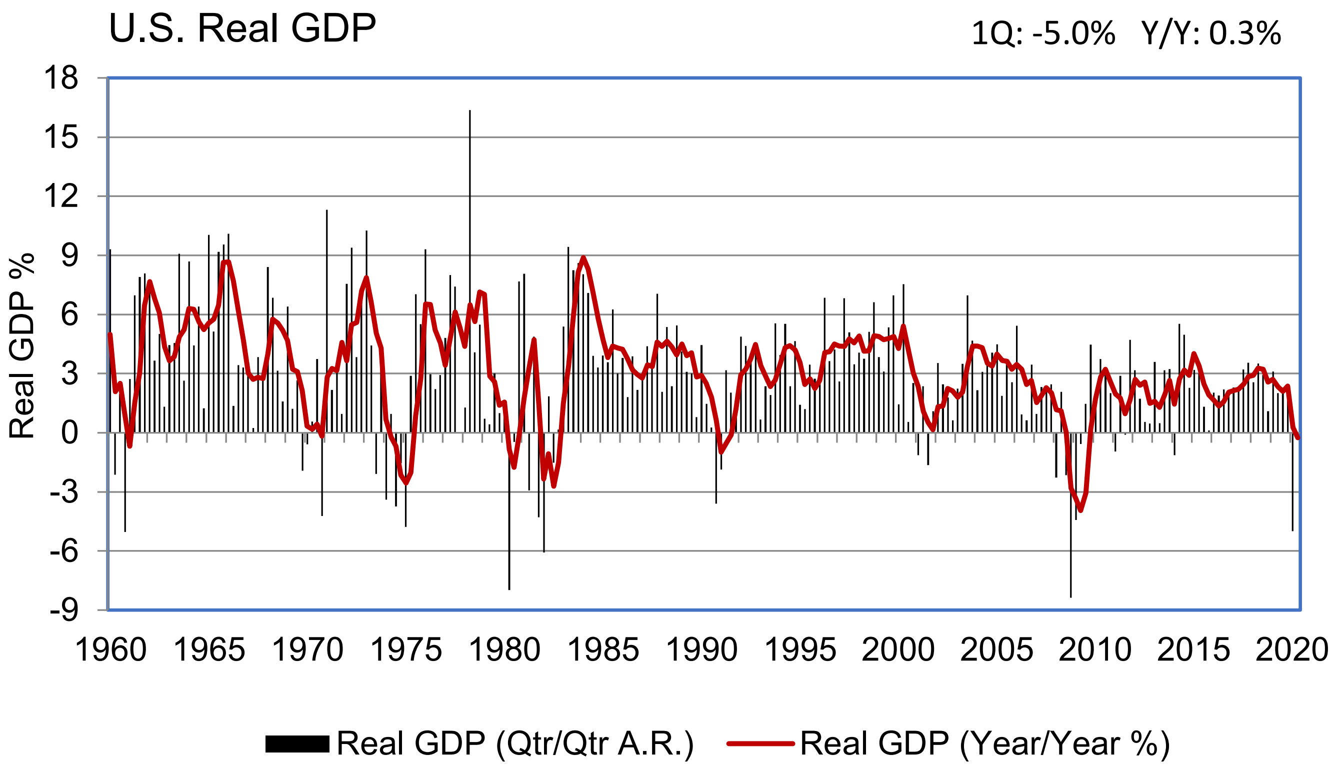
- Profit margins before crisis leverage revenue growth: S&P 500 P/E, P/B, DivYld/T-Note (not CAPE)
- European, Japanese, and Emerging Market valuations cheaper, but potential value traps.
- Global Government Bonds most overvalued, Value and Small-cap can provide excess return oppty.

How might Strategic Frontier's **Policy Asset Allocations** change?

- Long-term return forecasts for Global Equities well exceed Global Bonds and Commodities
- Emerging Market allocation under increased scrutiny if potential growth waning, margins limited
- Equity, bond, currency, and commodity normal volatility higher, adapting to interest rate risks
- **Private Market, Liquid Alts** lagging performance due to high costs, low risk premium, capacity
- Novel portfolio allocation schemes misguided (ie, LDI, risk parity, max diversification, min vol, etc.)
- Expect **Rotation** from Bonds and Alternatives to a *Simpler and Smarter Approach to Investing*

GROSS DOMESTIC PRODUCT

- New higher level of secular potential growth (2.5-3.0%) after tax and regulatory reform, which will be evident when cyclical effects of restricting economic activity fade.
- Cyclical effects of government restrictions will linger, but less than feared–expect "V"

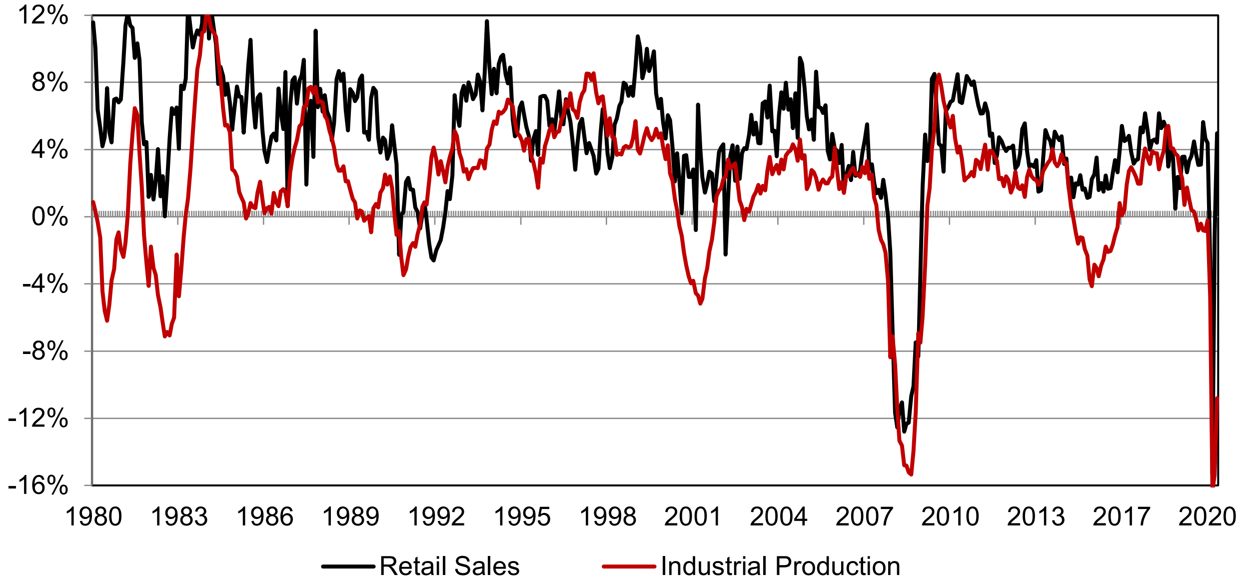


Source: U.S. Government Data

U.S. ECONOMY: MONTHLY INDICATORS

- Global economic effects of shut-down/distancing requirements showing up now
- Higher frequency growth fell faster and further than during 2008, but we should expect a faster cyclical recovery, as well—Dire forecasts, prolonged abyss were flat wrong.
    - Unemployment: Trough at 14.7%, Current 11.1%
    - Retail Sales (Y/Y): Trough at -15.3%, Current at 5.0%
    - Industrial Production (Y/Y): Trough at -16.3%, Current at -10.8%
- *New Order in Global Trade* key to lifting US net exports longer term, boosts GDP
- Secular US competitive advantage reflected in potential growth, profit margins remains

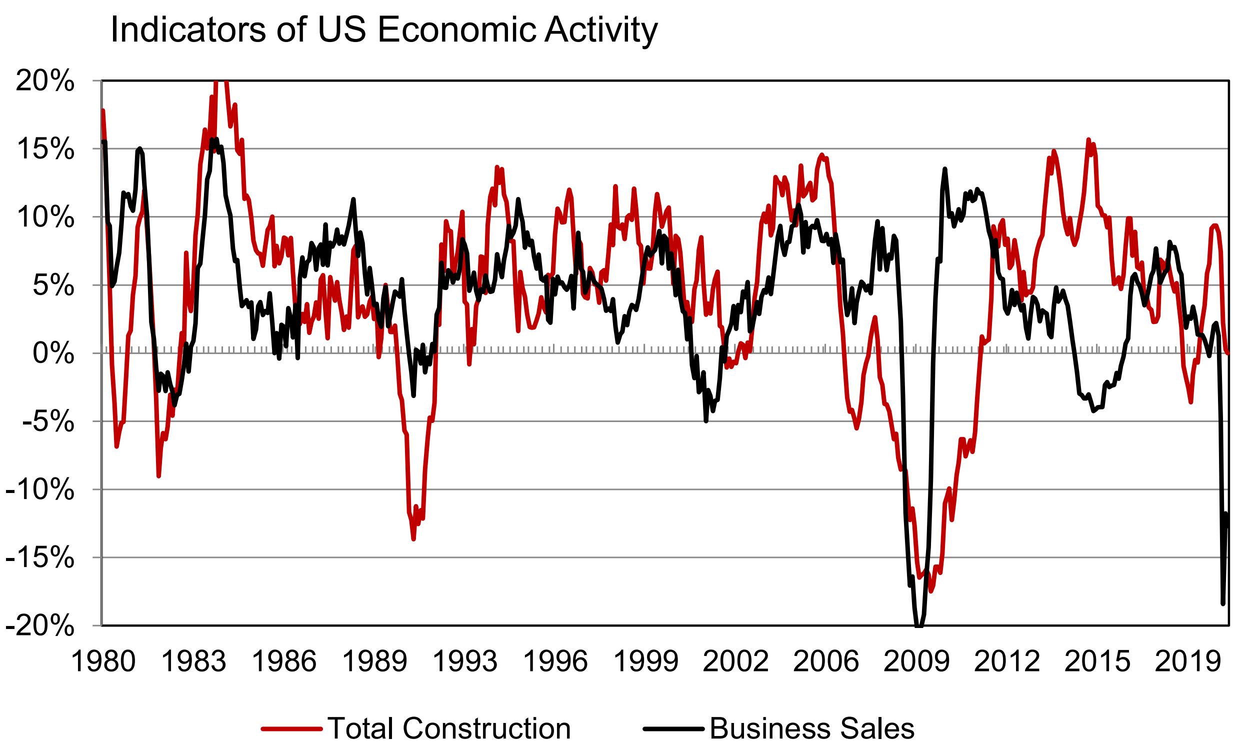
Indicators of U.S. Economic Activity



Source: U.S. Government Data

INVESTMENT AND BUSINESS ACTIVITY

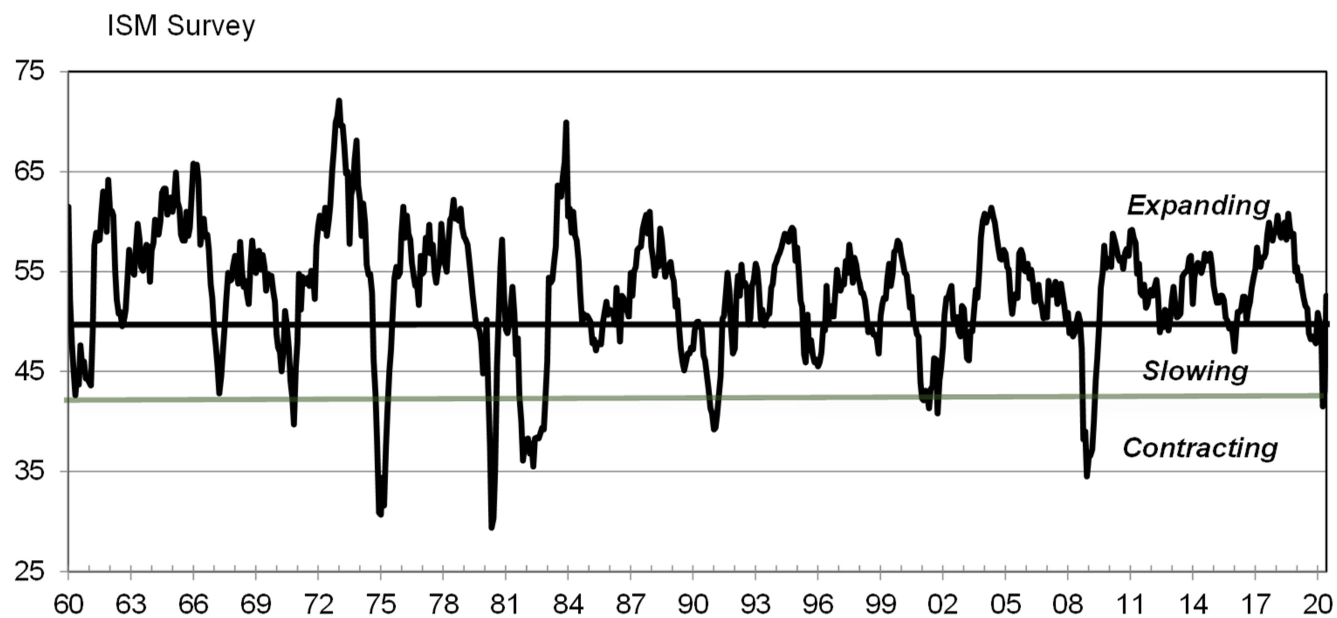
- Business Sales and Construction more cyclical, recover more slowly
- Housing deficit and low mortgage rates can bolster rebound in construction
- Investment, enabled by repatriation of earnings, will hinge on business confidence



Source: U.S. Government Data

U.S. MANUFACTURING TRENDS

- Declining ISM since 2018 consistent with changes in business and consumer sentiment from uncertainty about trade to interest rates and earnings growth
- Just as ISM was reaccelerating again, COVID-19 hit driving index toward *Contracting*
- Yet, in June, the ISM index soared to 52.6–more evidence of a V-shaped recovery
- Diffusion indices such as ISM can decline and rise very quickly given methodology

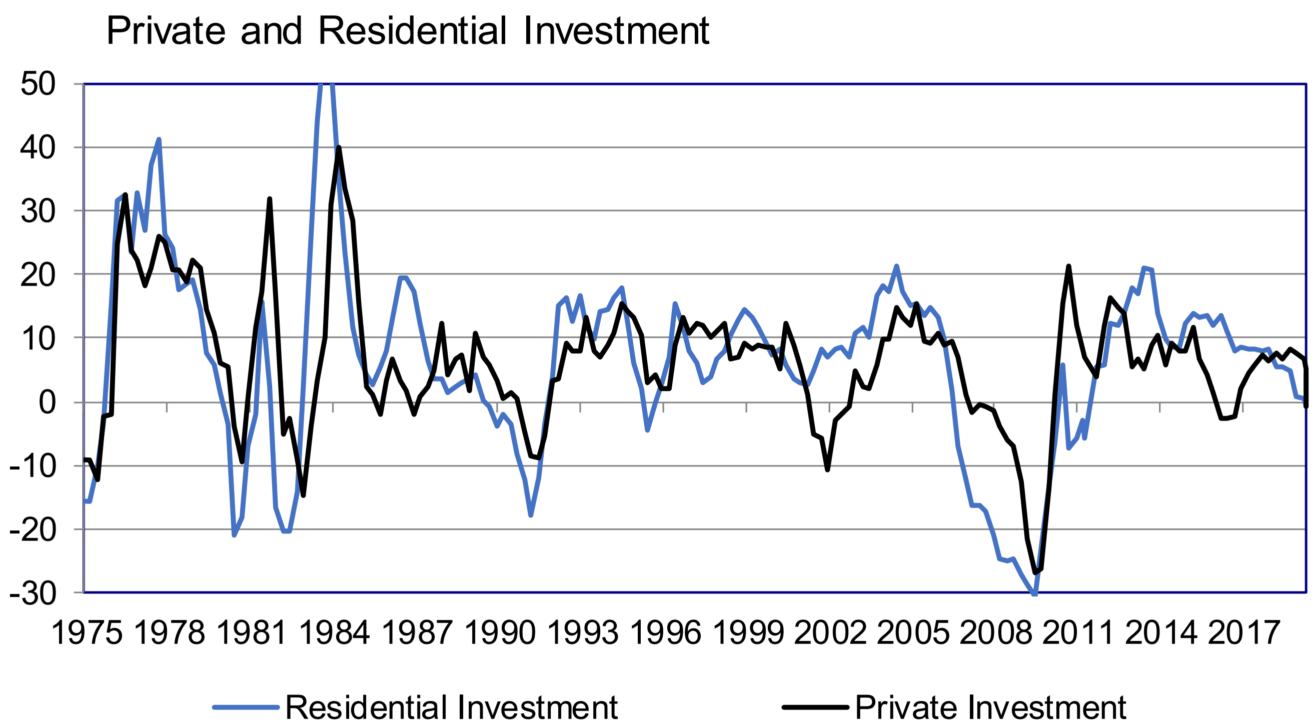


Source: ISM

ISM Purchasing Managers Survey is one of the most timely and best predictors of the business cycle. "50" equates to potential growth (~2.7%) over the next year, 50-42 suggests slowing economy, and below 42 suggests contraction or recession.

TAX REFORM DRIVING INVESTMENT GROWTH

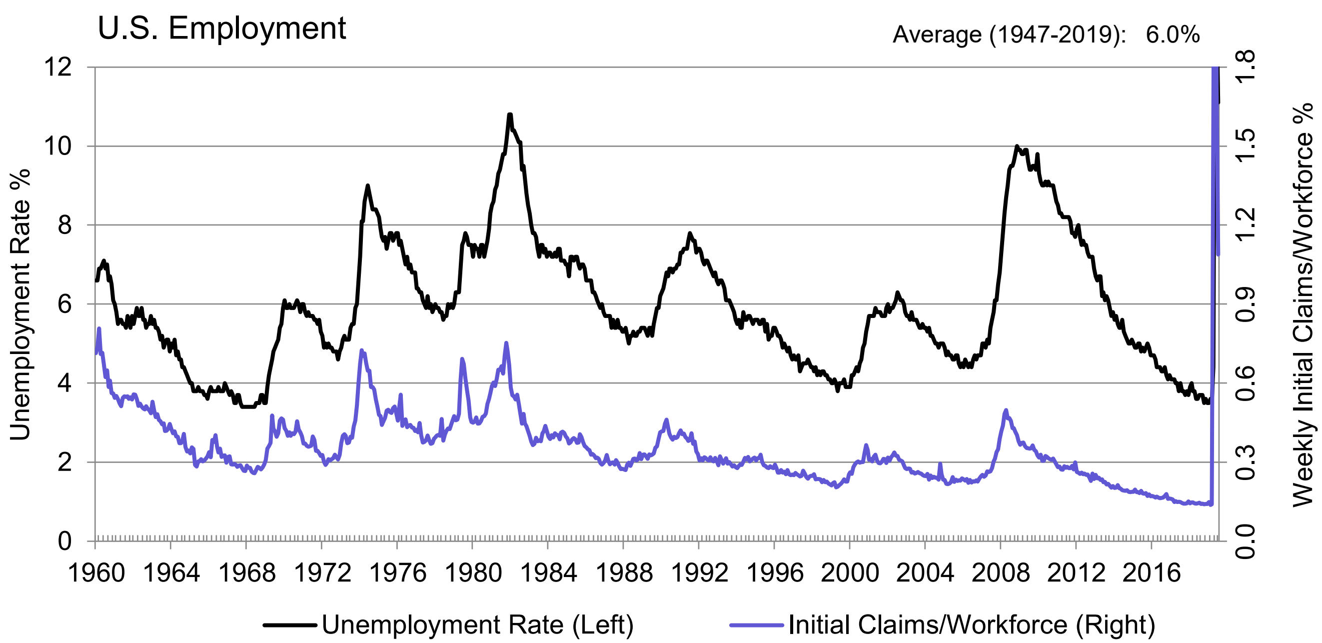
- Corporate tax and regulatory reform: Repatriation and depreciation should boost private investment, as well as research, development, and global competitiveness
- Tax and regulatory reform, inc. repatriated cash likely to bolster investment activity
- Investment can be a key driver of growth in 2019-2020, but the COVID-19 pandemic likely defers accelerated investment for 3-6 months during 2020.



Source: U.S. Government Data

UNEMPLOYMENT KEY TO FED OUTLOOK

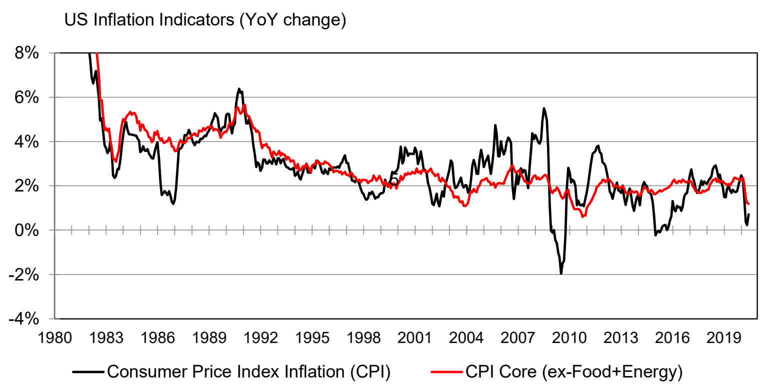
- Federal Reserve linked “full employment” to monetary policy & interest rates
- Initial claims normalized for workforce size is a better indicator of labor strength
- Secular change affects nature of work, education, and evolving skill needs
- Cheap Energy + Investment vs. Declining Labor Intensity: *Race Against the Machines*
- Do extended or higher benefits incentivize unproductive behaviors, reluctance to work?

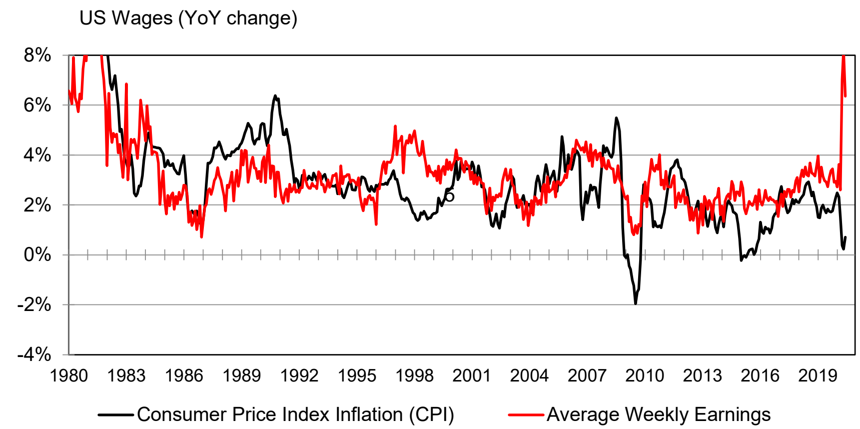


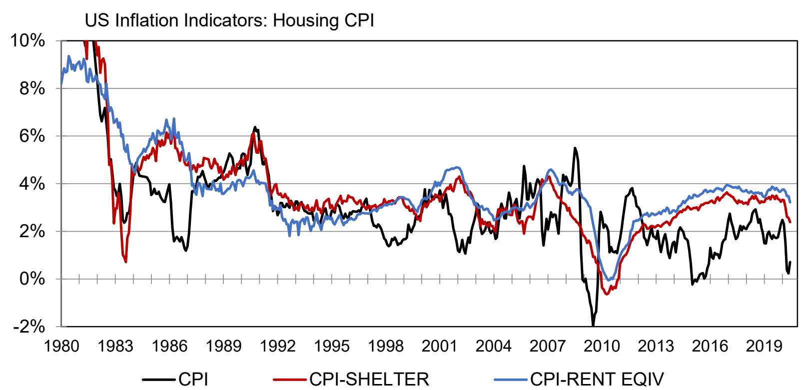
Source: U.S. Government Data

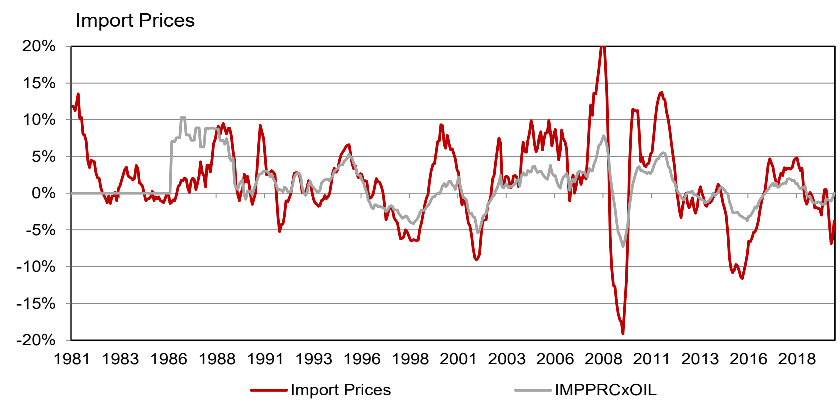
US INFLATION COULD ACCELERATE FURTHER

- Lower oil and import (stronger US$) prices extended post-2008 illusion of disinflation
- Wage growth looks weird, but consider impact of stimulus checks, unemployment benefits
- Volatility in oil prices can have significant, but generally short-lived effects on inflation
- Yet, cyclical Inflation still hinges primarily on rising materials, housing costs and wages
- Cyclical inflation will rise with cost of living and aggregate demand as activity recovers





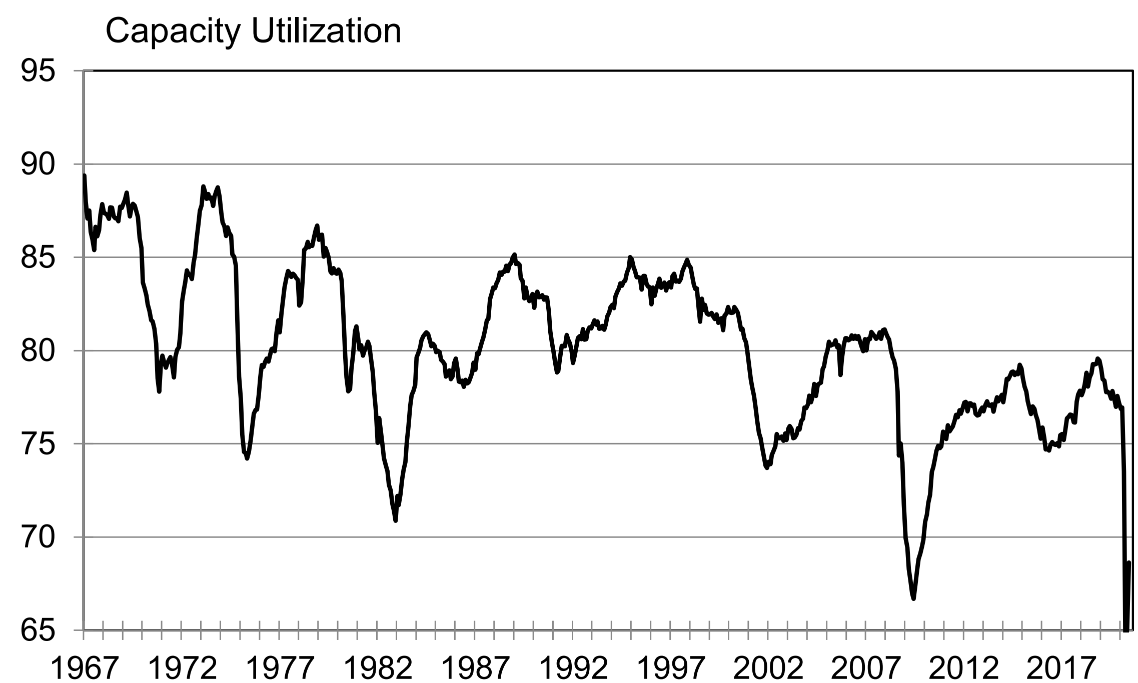




Source: U.S. Government Data

RISING CAPACITY UTILIZATION

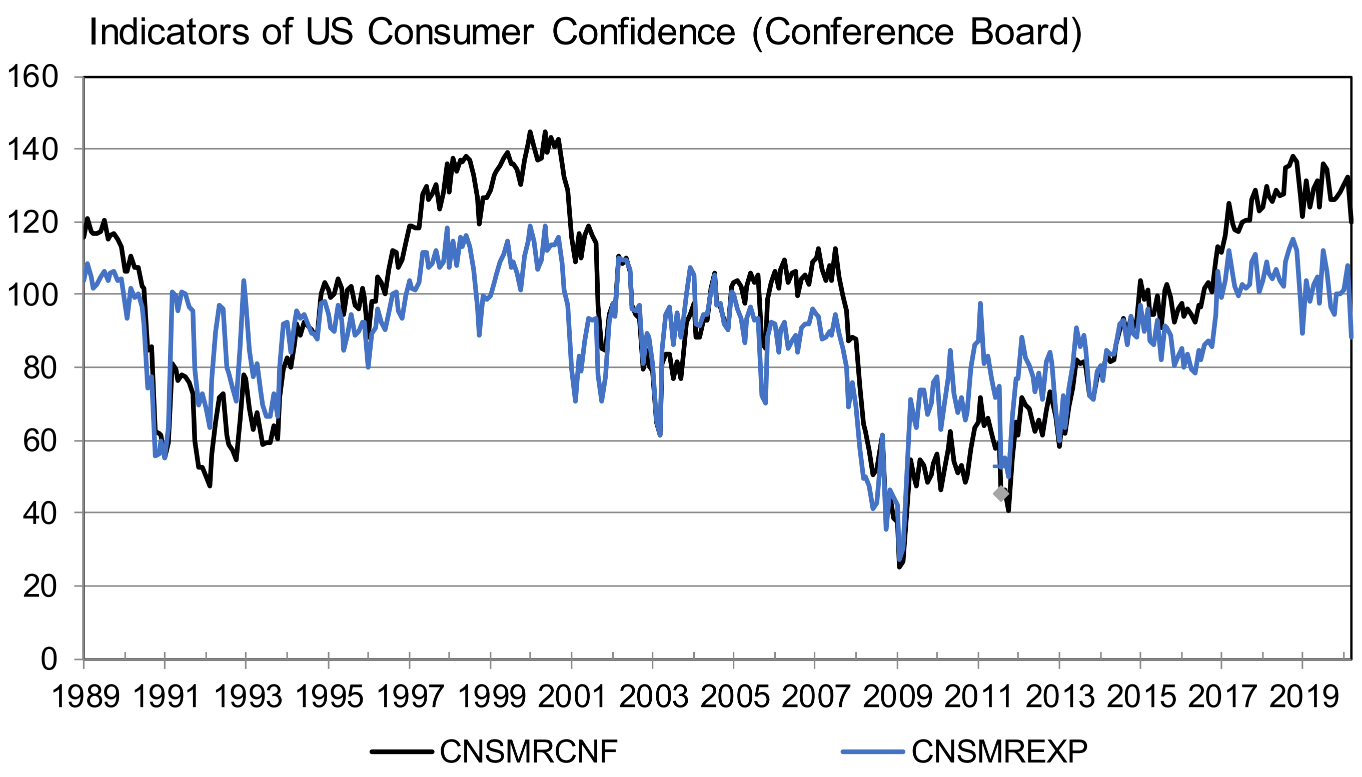
- Higher Capacity Utilization Drives Inflation and Investment, but…
- Increased share of Services tends to limit its relevance (<80%)
- Precipitous drop can be monitored as we progress through this crisis, while low (<75%) will tend to limit fixed investment



Source: U.S. Government Data

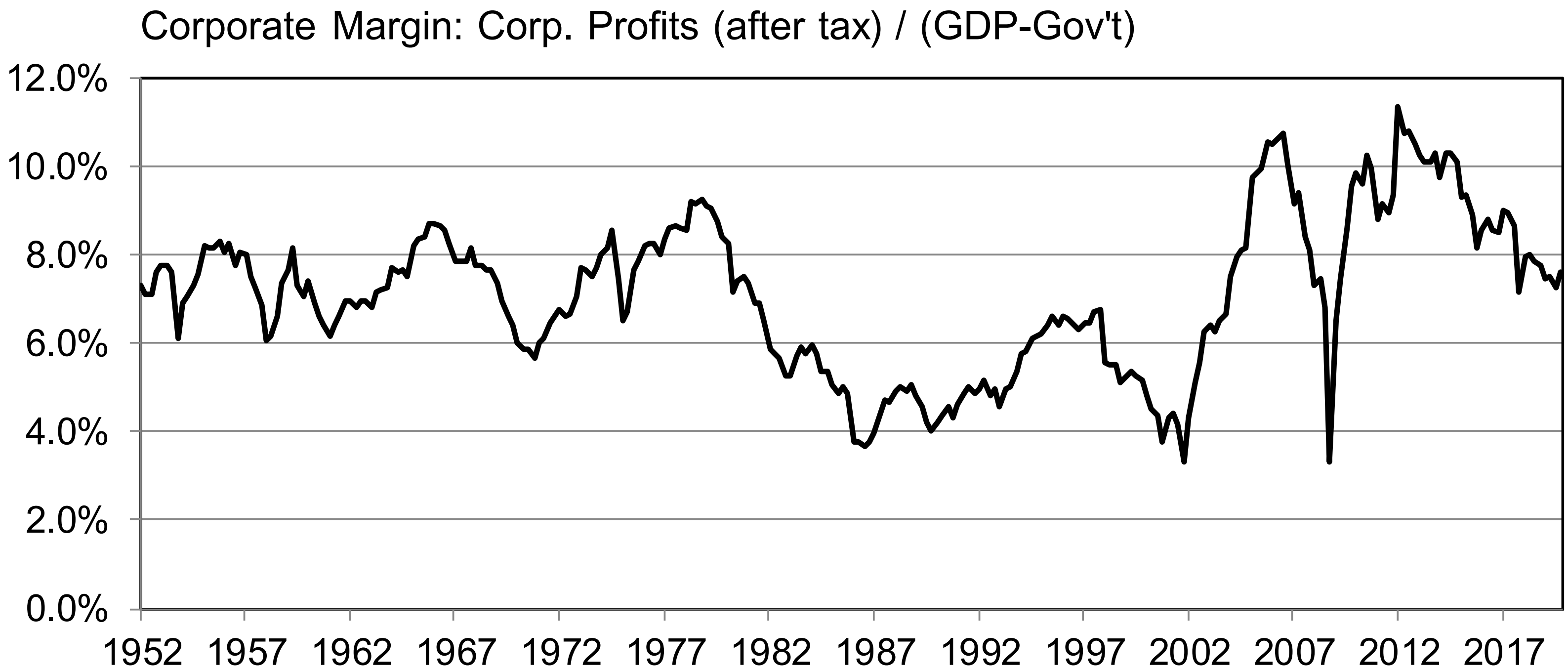
CONSUMER CONFIDENCE: VS EXPECTATIONS

Persistent remarkable divergence in confidence vs. expectations
Still constructive consumer confidence, even if expectations lag



Source: Refinitiv DataStream

U.S. CORPORATE PROFIT MARGIN

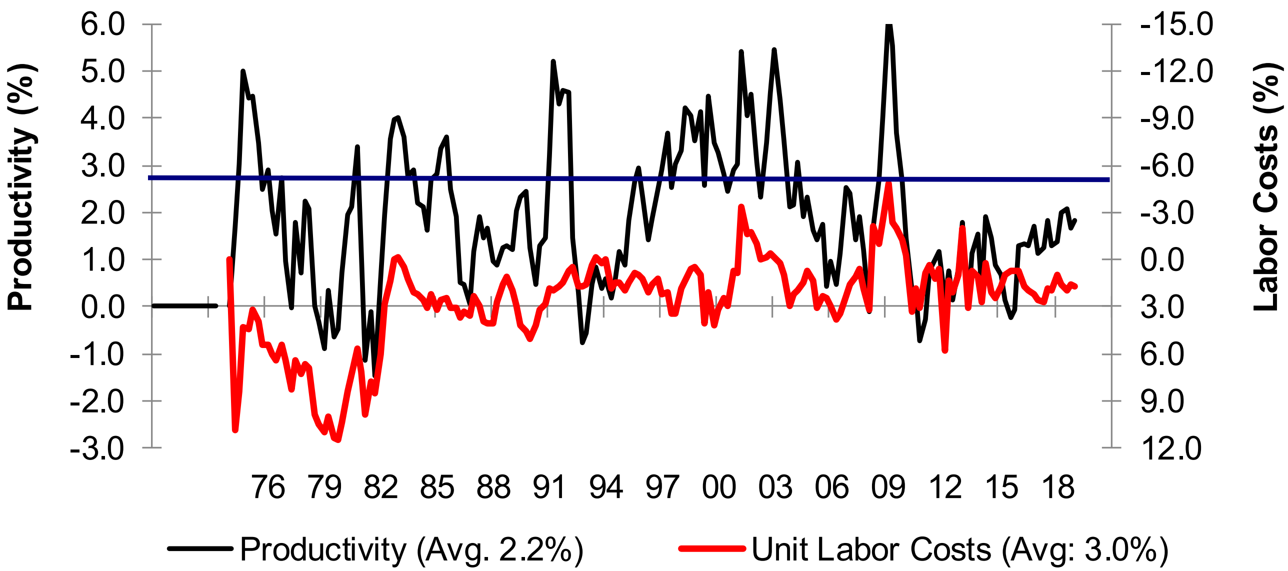


Source: U.S. Government Data

PRODUCTIVITY AND UNIT LABOR COSTS

Real GDP = G + C + I + T = Workforce Growth + Productivity

Labor Costs near average, but productivity has been subpar this cycle until recently

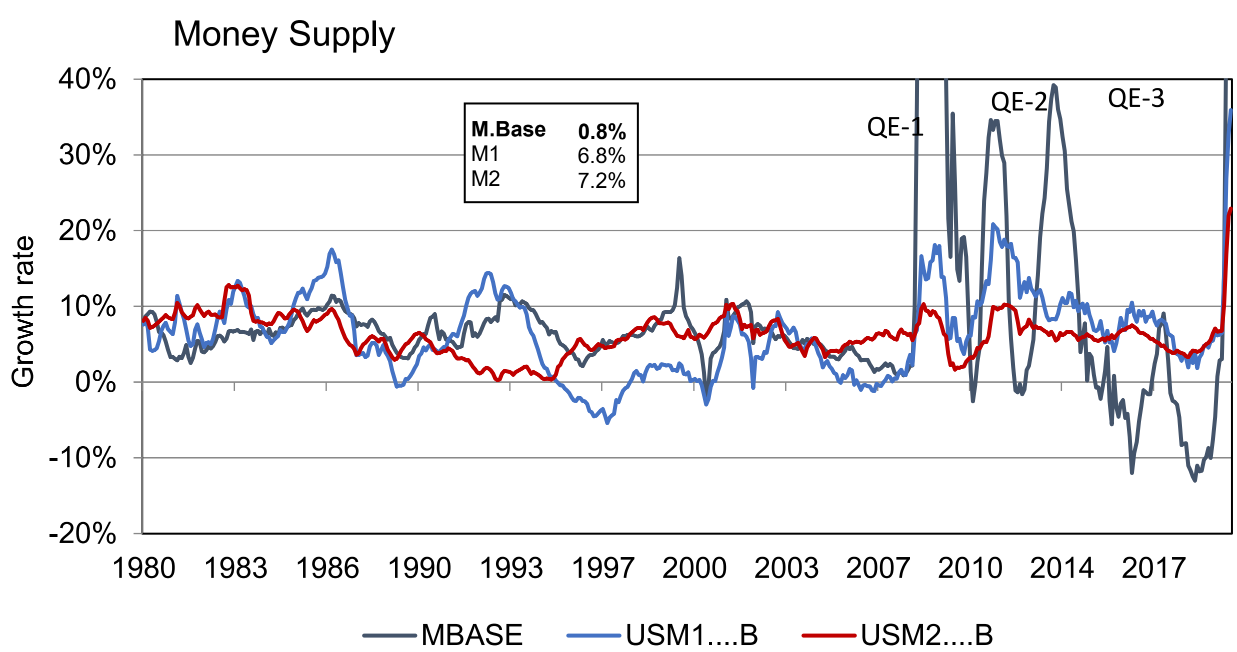


G = Gov't Spending
C = Consumption
I = Investment
T = Net Exports (Trade)

Source: U.S. Government Data

MONEY SUPPLY VOLATILITY INCREASED MARKET VOL, BUT HARDLY HELPED ECONOMY

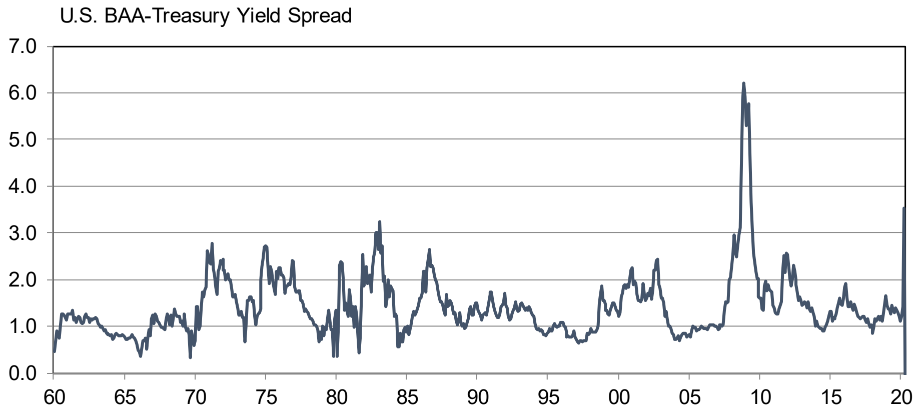
- Fed added massive liquidity, but money velocity collapsed with limited stimulus benefits
- Slow and gradual normalization of monetary policy needed to minimize imbalances
- Reversing QE/reducing bond holdings slows money growth, so money velocity needed
- Velocity increase observed, but increased money supply volatility increased uncertainty



Source: U.S. Federal Reserve

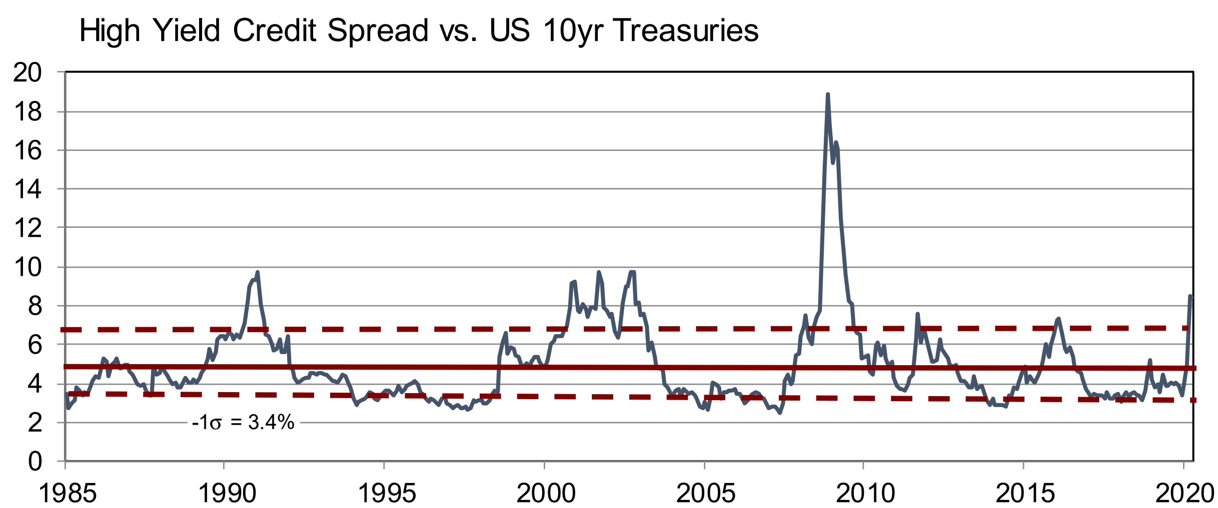
CREDIT SPREAD: DEFAULT RISK LOW

Investor demand for yield has driven credit spreads to the tightest levels since 2006



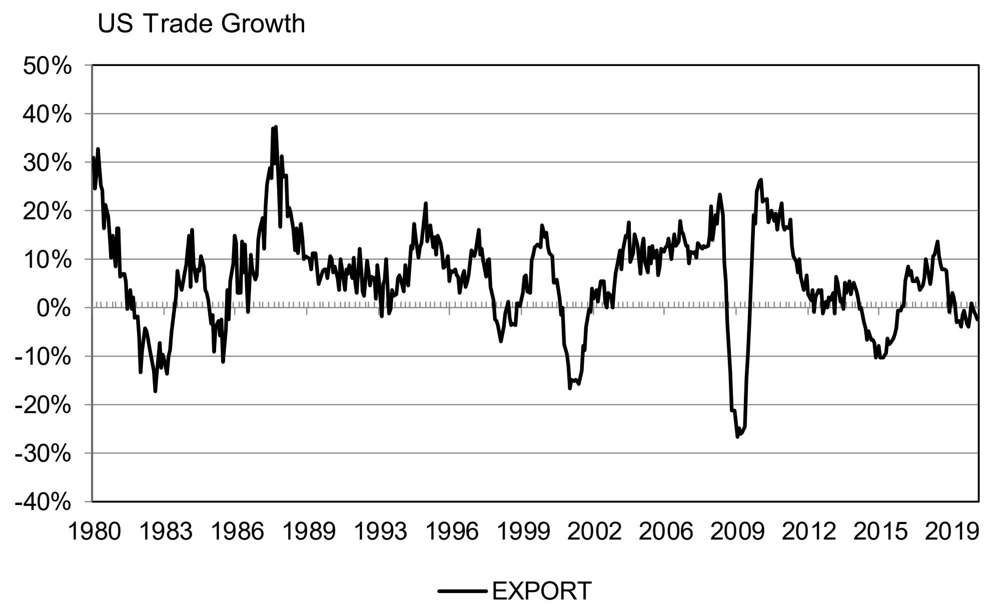
- Low yields bolstered demand as default rate declined and economy resilience observed, but investors can't seem to get enough yield despite overvaluation, issuance

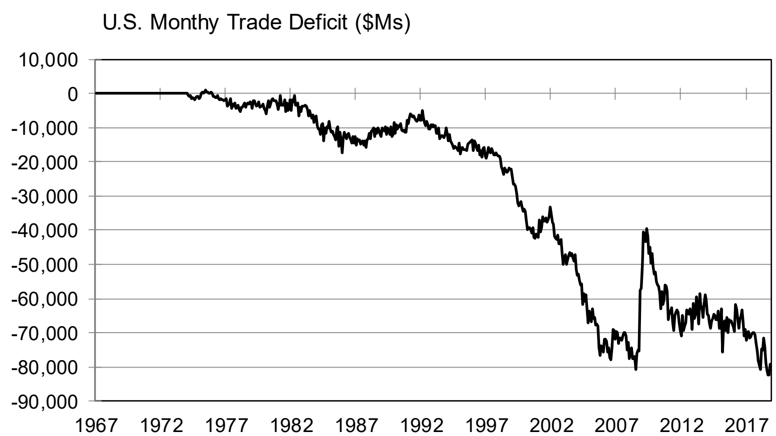
Source: Moody's

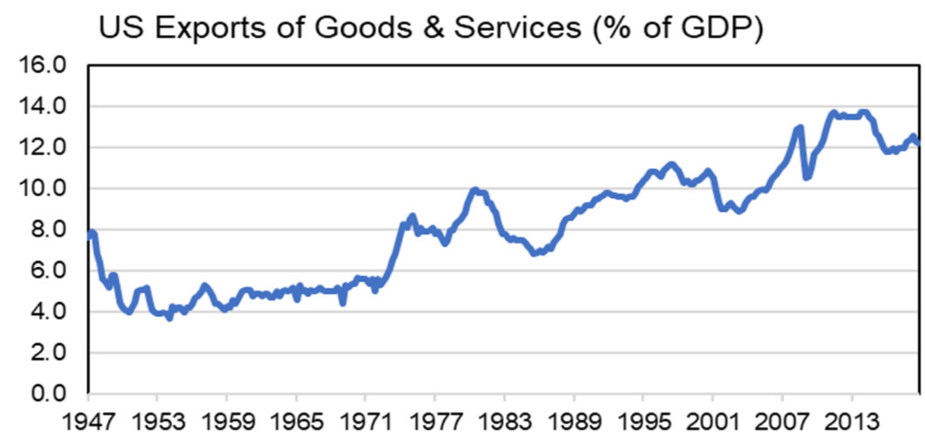


U.S. EXPORT GROWTH INCREASING

- *US New Global Trade Order*
- Focus on *Bilateral* agreements
- Renegotiated relationships boost exports with USMCA, Japan, Korea, and China
- Possible 2020 deals: EU & UK,



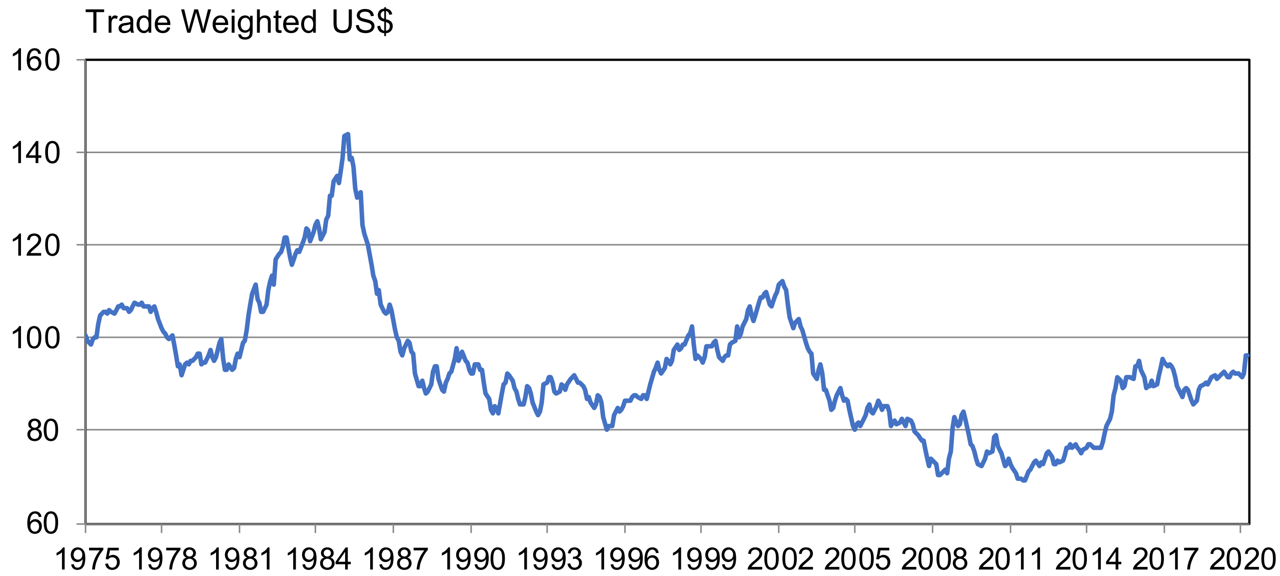




Source: Federal Reserve Bank of St Louis (FRED)

Source: U.S. Government Data

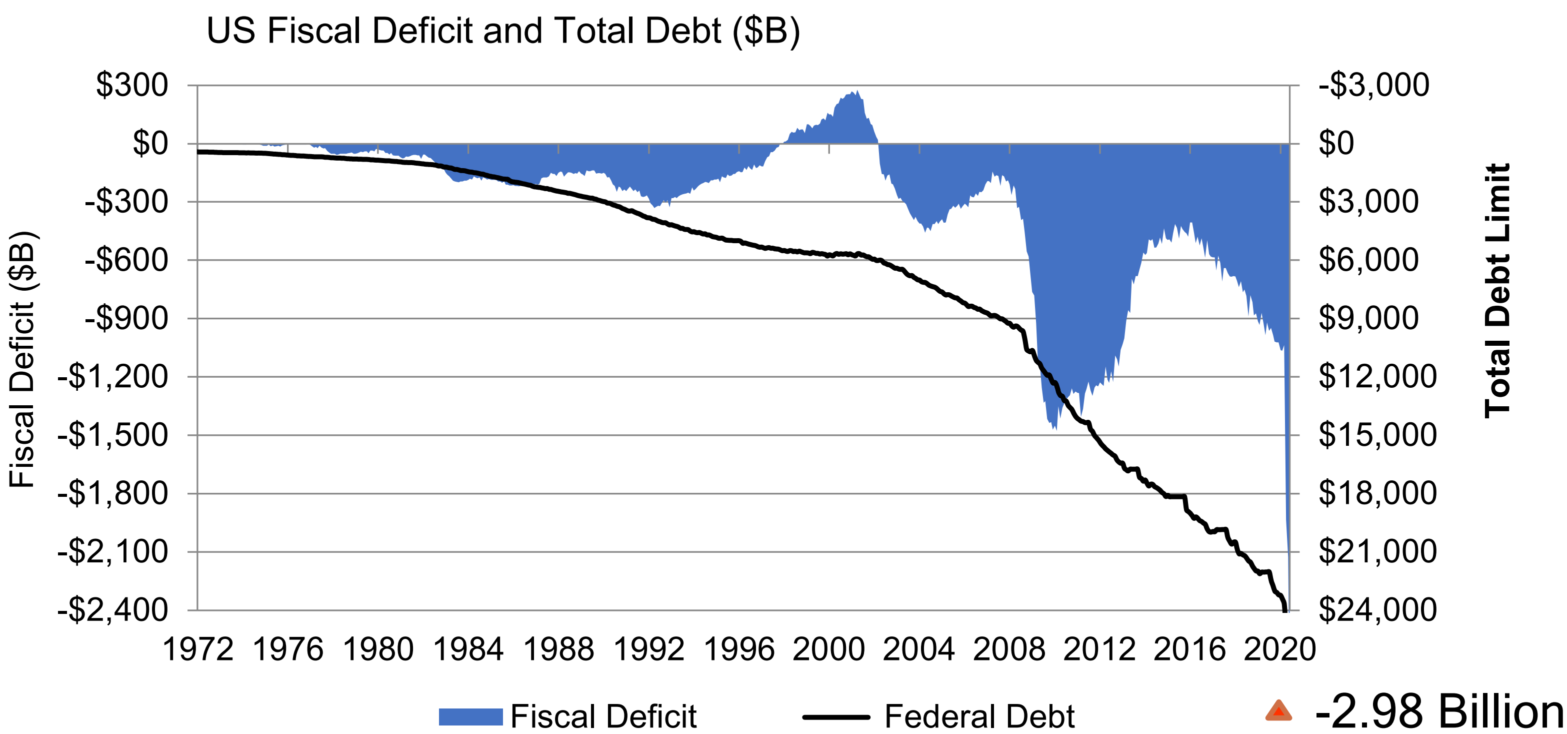
US DOLLAR ADVANTAGE DIMINISHING



- Interest rate and growth differentials, trade and fiscal deficits are key drivers, but all narrowed or deteriorated considerably
- U.S. potential growth still higher than Japan and Europe (ex-UK), while preference for U.S. dollar as world's reserve currency continues to drive productivity, foreign investment
- European and Japanese fiscal deterioration and easy monetary policies undermine the Yen and Euro, more so than for US$, but US interest rate cuts recently narrowed gap
- US Treasuries have least currency volatility and best liquidity for quasi-linked currencies (inc. China), plus unusual low currency volatility (JPY), all increase foreign UST demand

US FISCAL DEFICIT (ROLLING YEAR)

Fiscal Deficit of $3 Trillion: This is plainly ugly and quite unsustainable



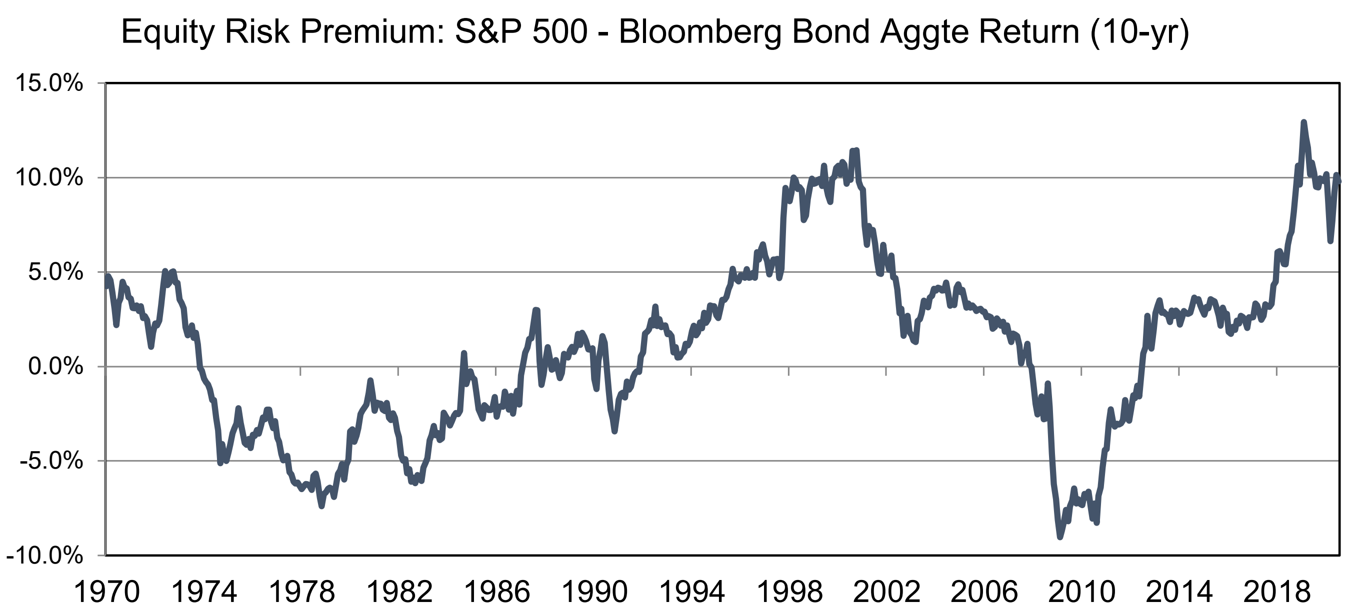
Source: US Government, OMB

ROLLING 10-YR STOCK VS. BOND RETURN

Reversal in relative performance can change investors' risk averse behavior toward global equities and shorter horizon reflected in high bond allocations

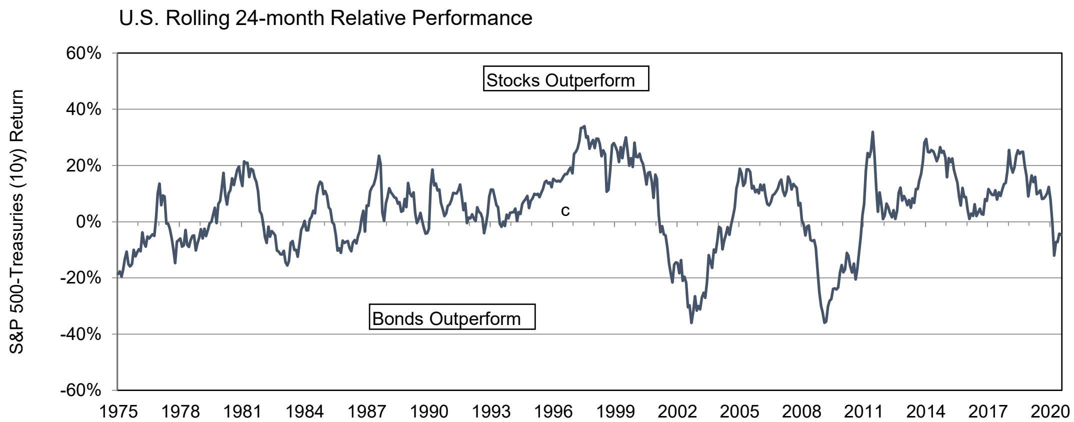
US Treasuries overvaluation can trigger an Asset Allocation rotation (re: LDI, risk parity), particularly after COVID-19 pandemic drove record neg. real yields

How will this change investor behavior? Real bond valuation eventually critical.



Source: Strategic Frontier Management, Standard & Poor's, Bloomberg-Barclays Indices

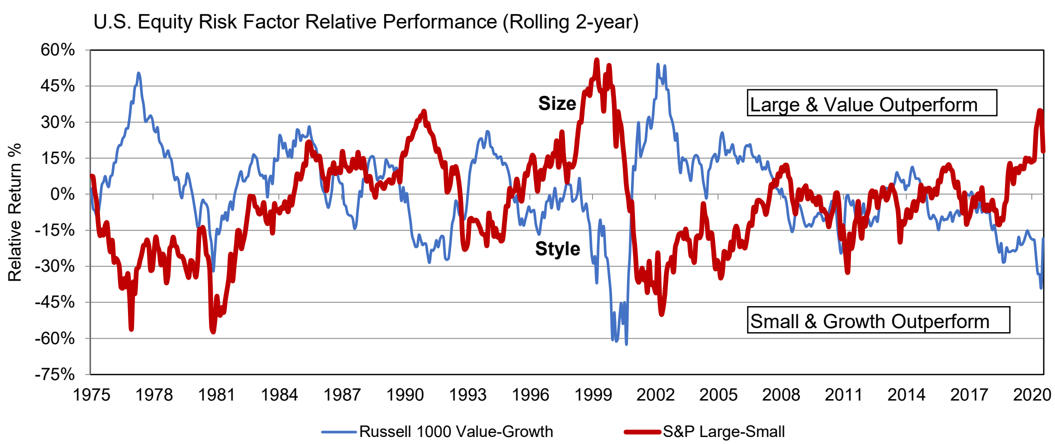
RELATIVE PERFORMANCE SWINGS



U.S. Stocks vs. Bonds

Returns diverge and risk varies, but Stocks outperform Bonds over long term horizons.

S&P 500 Index has returned over 200% since March 2009. *New Normal hypothesis* and *subordination of the equity risk premium* was very misguided.



U.S. Equity Styles

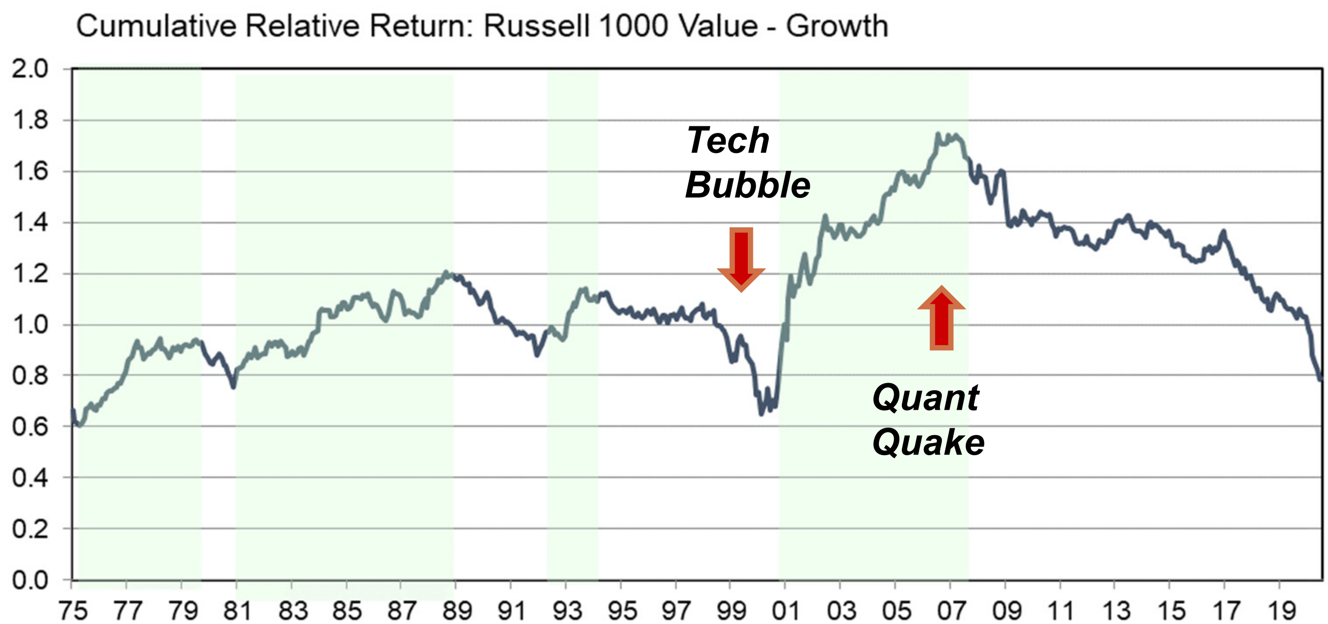
Equity style investing can benefit from differential market returns, and often cycles are not synchronized.

Yet, Value and Small-cap tilts have outperformed over the long-run.

Source: Refinitiv DataStream & Strategic Frontier Management

BENEFIT OF VALUE INVESTING MIA

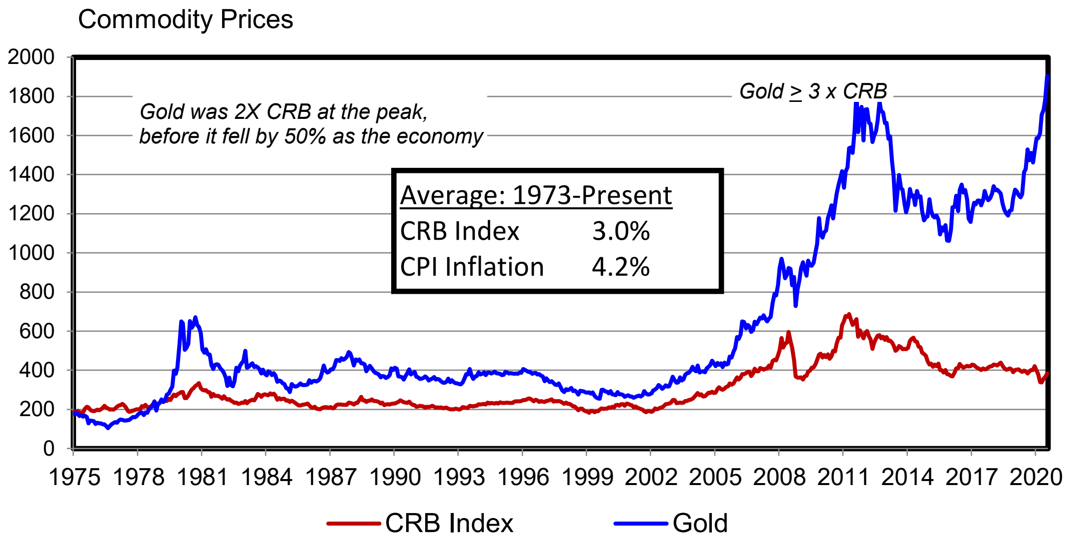
- Historical advantage of a tilt toward *Value*, but absent since the Financial Crisis
- Long-term risk premiums such as Value-Growth and Small Size (large vs. small) are cyclical, but also can be exploited tactically. Other risk factors similarly cyclical.
- Smart-Beta (factor premiums) suffered as Size and Value premiums failed recently
- Over 35 years through 2010, value outperformed growth by ~2.4% annualized, which has compounded to nearly 3X greater wealth (see chart below)



Source: Refinitiv DataStream & Strategic Frontier Management

COMMODITIES STILL LANGUISHING

- Gold has languished after 2008, and we believe it is an inefficient strategic holding with extremely high volatility and negative real return. Similarly for commodities.
- Cash is actually a better store of value <u>and</u> better market hedge than commodities.



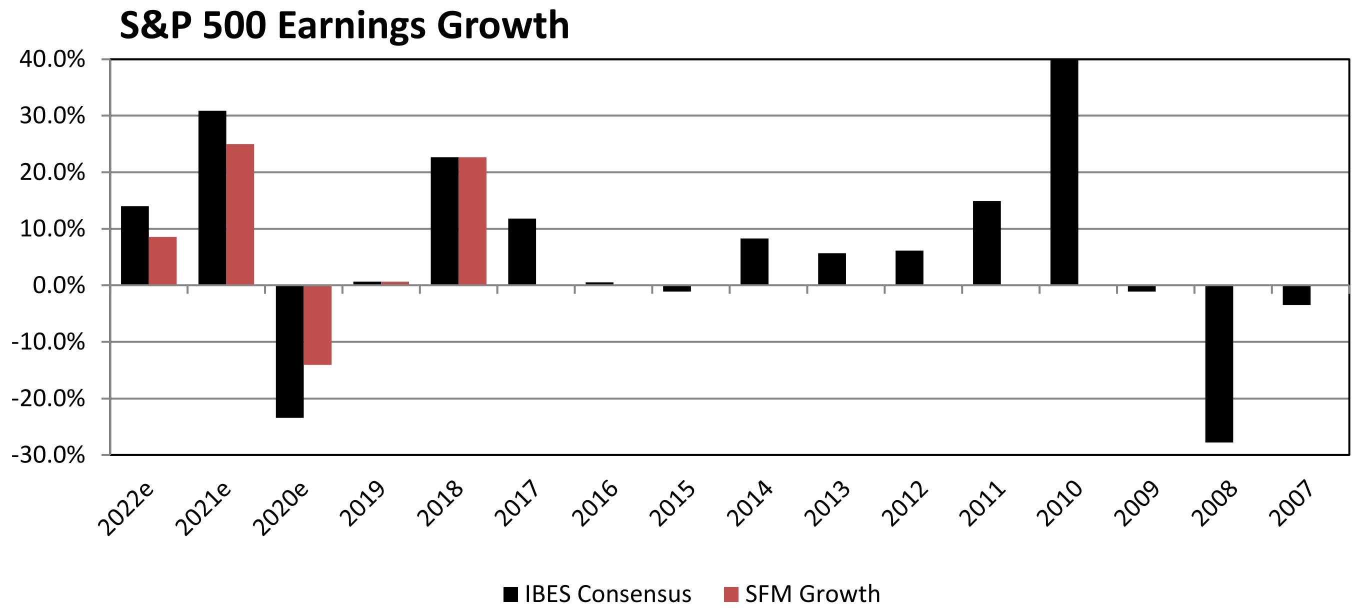
Correlation	Commodity	Gold
S&P 500	18%	1%
UST 10yr	-24%	3%
Cash	-9%	-3%
Inflation	25%	21%

Note: Monthly returns for 1973-2017 CRB Index

Commodity Returns:
1871 – 2007: Goldman/The Economist/IMF: Real return = -0.4%
1900 – 2008: Credit Suisse 2.5% vs. 3.0% inflation Real return = -0.5%
1973 – 2009: 4.75% vs. 4.5% (inflation) Real return = 0.25%

Source: Refinitiv DataStream & Strategic Frontier Management

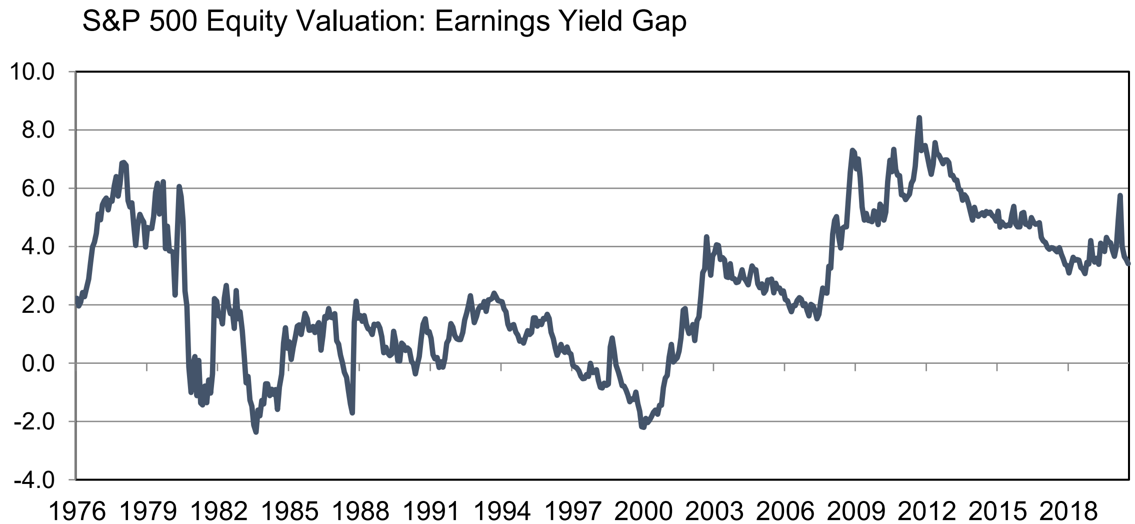
S&P 500 EARNINGS—KEY TO EQUITY OUTLOOK

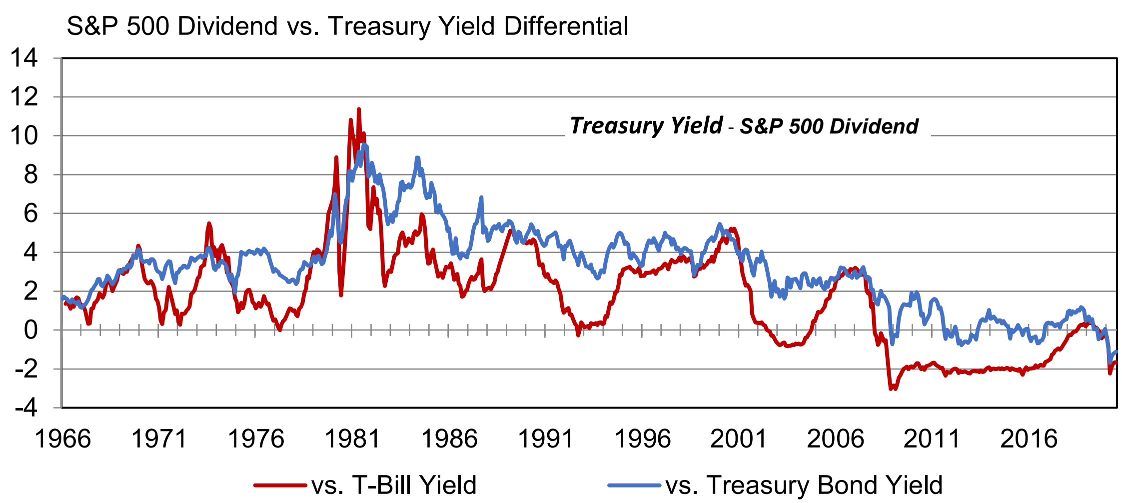


Operating Earnings	2022e	2021e	2020e	2019	2018	2017	2016	2015
IBES Consensus	186.17	163.31	124.79	162.93	161.93	132.00	118.10	117.46
Growth	14.0%	30.9%	-23.4%	0.6%	22.7%	11.8%	0.5%	-1.1%
Strategic Frontier Mgmt	190.00	175.00	140.00	162.93	161.93	132.00	118.10	117.46
Growth	8.6%	25.0%	-14.1%	0.6%	22.7%	11.8%	0.5%	-1.1%
S&P 500 @18x SFM TE	3420	3150	2520	2933	2915	2376	2126	2114
SFM Target S&P 500	3650	3450	3250	2933	2915	2376	2126	2114
SFM S&P 500 P/F12E	17.95	18.16	18.57	20.95	17.89	14.67	16.10	17.90

Source: Refinitiv I/B/E/S and Strategic Frontier Management estimates and actuals (July 1, 2020)

U.S. EQUITY VALUATION: UPSIDE REMAINS

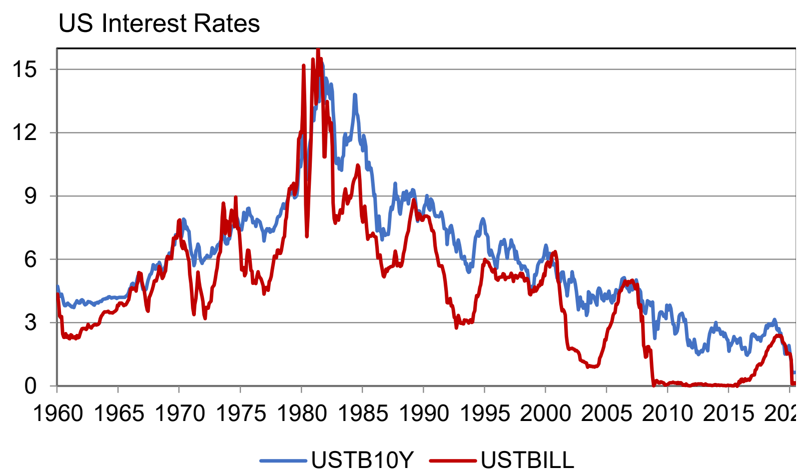


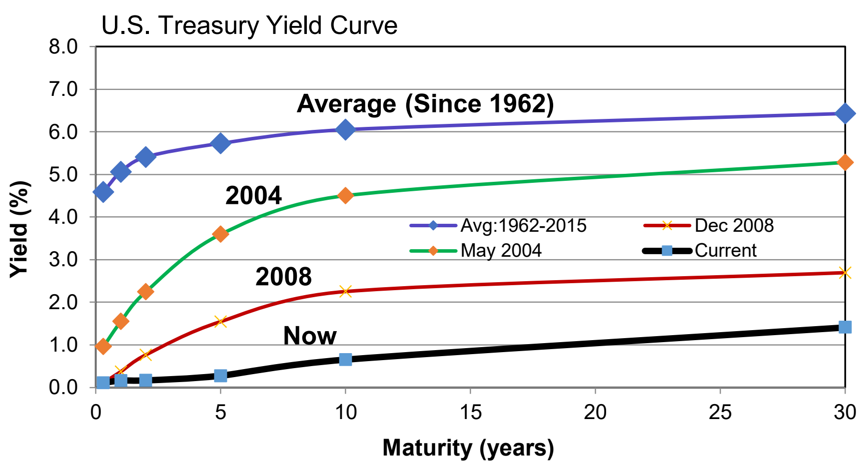


Source: Strategic Frontier Management

INTEREST RATES MUST NORMALIZE

- *Great Inflection Point*: US Treasury yields declined since 1982, now manipulated rates and monetary policy are unsustainable.
- Interest rate *normalization* must continue with resilient economic growth, rising inflation—thus expect negative real bond returns for years as yield curve must steepen
- Taylor Rule suggests Fed Funds Rate should be greater than 3.5%, thus no support for exceptional monetary policy at emergency levels (low rates, extended Fed balance sheet).
- Central bank QE and forward guidance to “keep interest rates low for an extended period” regrettably induced *moral hazard,* extinguished inflation risk premium, risks crowding out.
- Fixed income liquidity an increasing concern as risk variables evolve (μ σ, ρ) with excess leverage, oversupply of debt, high convexity, overregulation, and extended bond valuation.

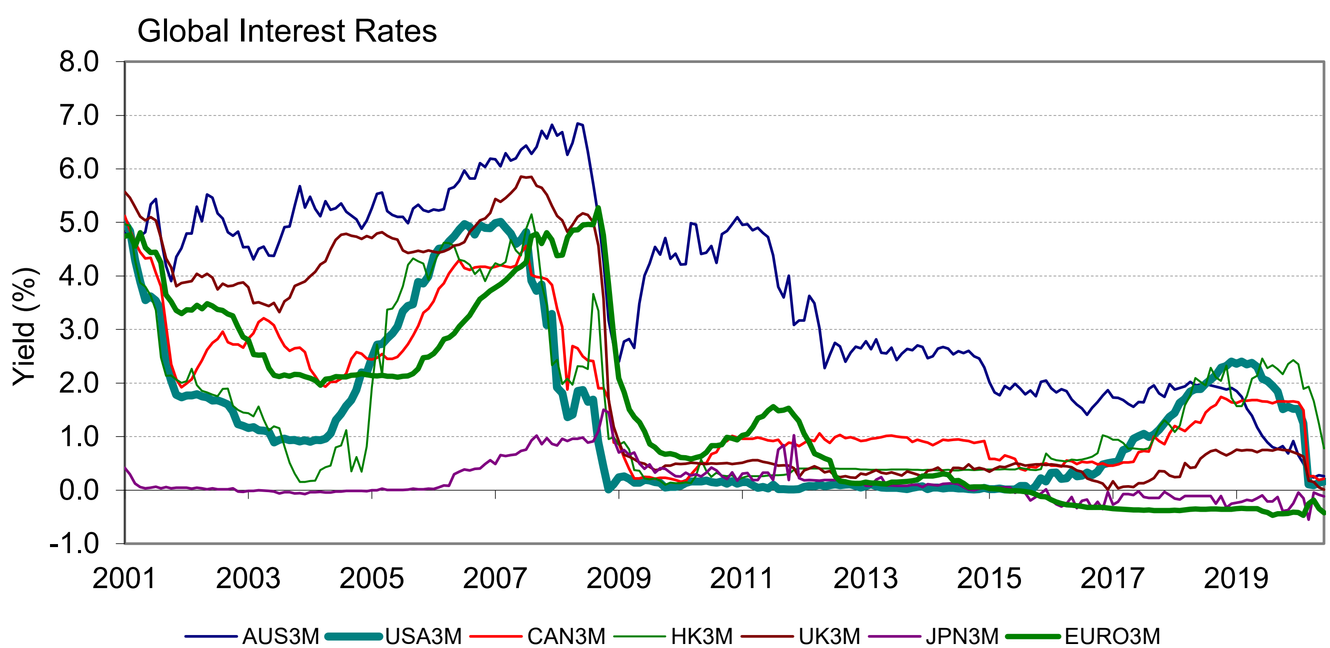




Source: Federal Reserve

GLOBAL INTEREST RATES

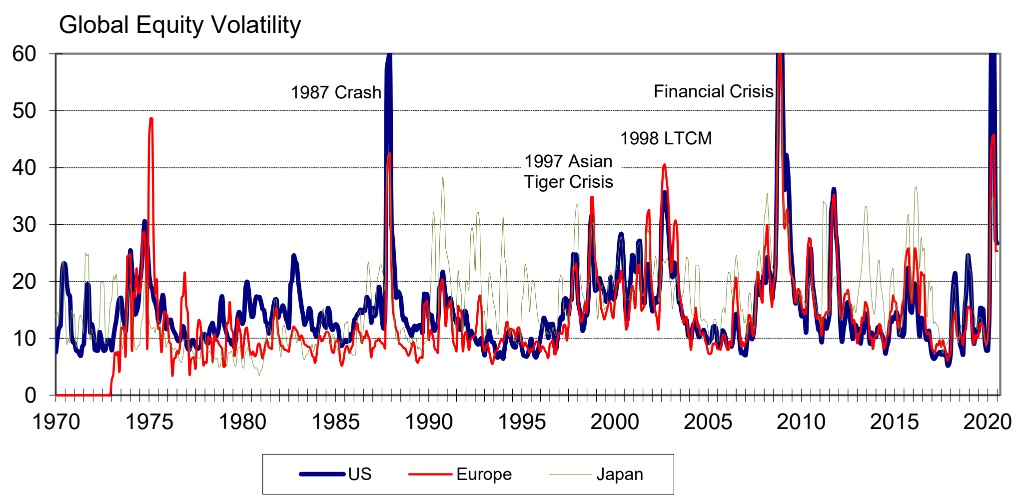
- Global policy interest rates have been too low for too long, risking explicit moral hazard
- U.S. interest rates should increase at a regular pace in Q2/2021, bolstering the U.S. dollar, and eventually driving gold, oil, and other extended commodities to lag inflation
- No change until well after the US election, of course, even before COVID-19
- U.K. and Canada also should eventually follow suit toward normalizing interest rates



Source: Refinitiv DataStream & Strategic Frontier Management

GLOBAL EQUITY MARKET VOLATILITY

- Current volatility didn't build over time, rather it spiked quickly within a month
- Reinforcement of greater equity *volatility-of-volatility* in equities, as well as Bonds, Commodities & Currencies.
- Pandemic drove S&P 500 VIX to 80—rivaling GFC—Will it revert to 8-10 again?
- When volatility drops below 12, cheaper to hedge or buy volatility, but selling volatility short below 20 for income is imprudent despite repeated experience.
- ETFs enabling trading volatility facilitated even greater investor losses, beyond various specular institutional derivative strategies (i.e., 2008, 2018, and even in 2020).

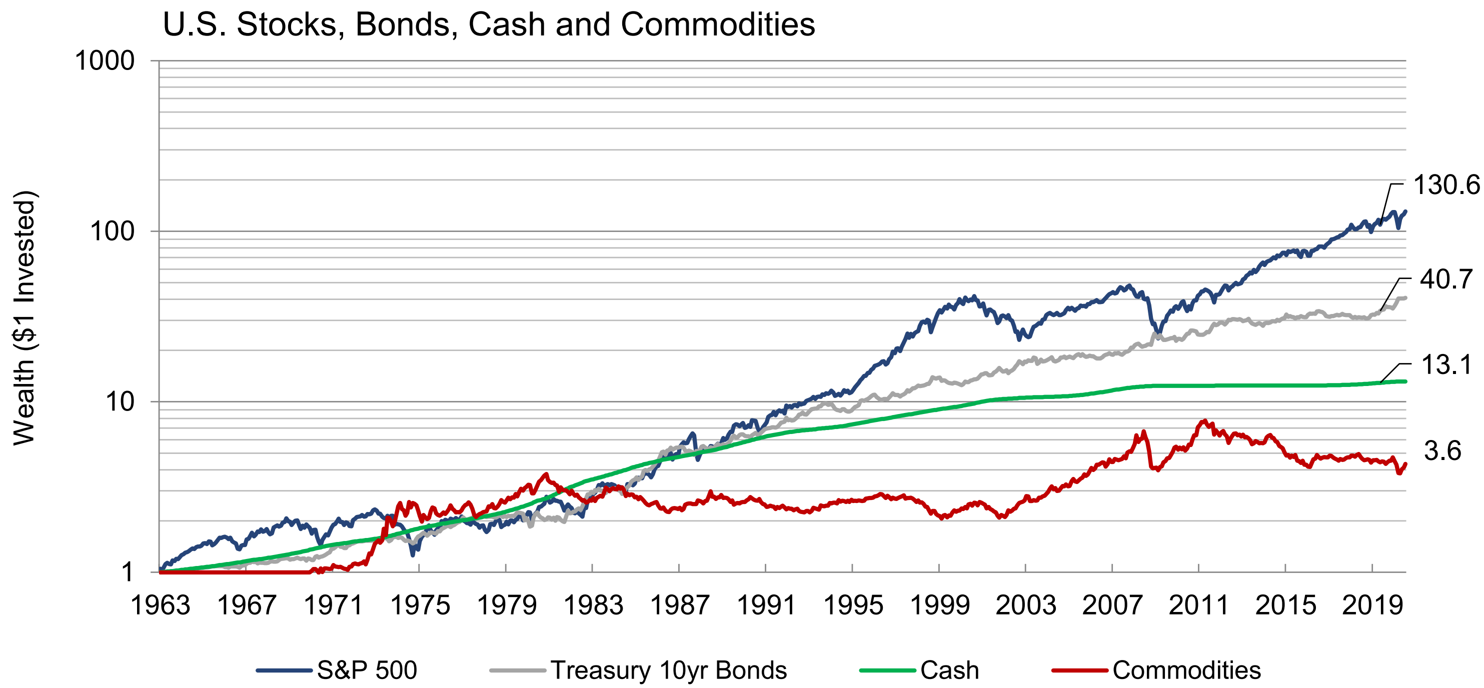


	US	Japan	Europe
201712	5.5	9.7	6.8
201812	24.4	24.9	15.5
201912	7.8	8.5	9.0
202004	59.2	32.4	42.8

Source: Strategic Frontier Management

LONG-TERM ASSET CLASS RETURNS

- US Equities is the best way to stay ahead of inflation, particularly as overvalued bonds struggle with normalization (raising rates, reducing bond holdings)
- Cash is and has been a better store of value than more volatile commodities or gold
- Commodities lag both cash and inflation since *input costs can't exceed output costs,* while Bitcoin is not a currency (too volatile, no yield), instead behaving like a commodity without benefit of inflation support



Source: Refinitiv DataStream and Strategic Frontier Management

ASSET CLASSES: LONG-TERM (10-YEAR) RETURN

		10-year Returns[3]		1900-2018[2]	30-Year Returns[3]		10-year Forecast				30yr
Ref Index	Asset Class	Return	Risk	LT Return	1990-2019	Risk	E[Return][1]	Risk	2019	2008	Sharpe
S&P 500	U.S. Stocks (S&P 500)	13.6%	11.0%	9.4%	10.0%	14.2%	5.1%	13.0%	31.5%	-37.0%	0.51
Russell 2K	U.S. Small-cap	13.5%	11.2%	-.-	10.1%	14.3%	8.2%	14.0%	31.4%	-33.8%	0.51
MSCI Wx	World (ex-US)	5.8%	11.8%	-.-	5.1%	15.8%	5.3%	13.5%	23.2%	-43.1%	0.15
MSCI EMF	Emg. Market Equity	4.0%	14.9%	-.-	8.4%	22.0%	5.5%	19.0%	18.9%	-53.2%	0.26
US10Y Treasuries	U.S. 10Yr Treasury	4.5%	5.9%	4.9%	5.8%	7.1%	-0.6%	7.0%	9.5%	21.2%	0.43
US BBG Agg	US BBG Agg Bond	3.8%	3.0%	-.-	5.9%	3.5%	1.6%	4.0%	8.7%	5.2%	0.90
US BBG G/C 1-5	US BBG Gov/Cr 1-5y	1.6%	1.2%	-.-	4.3%	1.5%	1.1%	1.7%	5.0%	1.8%	1.03
Merill/BoA HY	US High Yield (ML/BoA	7.5%	5.1%		8.4%	8.1%	5.1%	8.0%	14.4%	-26.4%	0.70
JPM Non-US Bond	JPM Non-US Bond	1.5%	6.7%		5.5%	7.8%	-1.7%	7.5%	5.2%	11.4%	0.35
3m Tbills%	Cash (T-Bills)	0.5%	0.2%	3.7%	2.8%	0.6%	2.2%	0.6%	2.1%	1.5%	0.00
CRB	Commodities (CRB)	0.7%	15.8%	2.6%	2.0%	12.1%	2.2%	15.0%	7.6%	-23.7%	-0.06
Global 60/35/5	Global Multi-Asset	7.6%	9.3%	2.4%	7.1%	12.2%	3.9%	11.1%	19.7%	-21.9%	0.35
CPI	US Inflation (CPI)	1.8%	1.1%	2.9%	2.5%	0.9%	2.5%	1.0%	2.3%	-0.1%	-0.28
	Risk Premium										
	Small-cap Equity	0.0%		-.-	0.1%		3.1%		-0.1%	3.2%	
	Stock-Bond	9.1%		4.5%	4.1%		5.7%		22.0%	-58.2%	
	Stock-Cash	13.0%		5.7%	7.2%		2.9%		29.4%	-38.5%	
	Bond-Cash	3.9%		1.2%	3.1%		-2.9%		7.4%	19.7%	

(1) Expected return as of June 30, 2020 refers to long-term return over an investment cycle

(2) 1900-2018 annualized data from Credit Suisse Global Investment Returns Yearbook

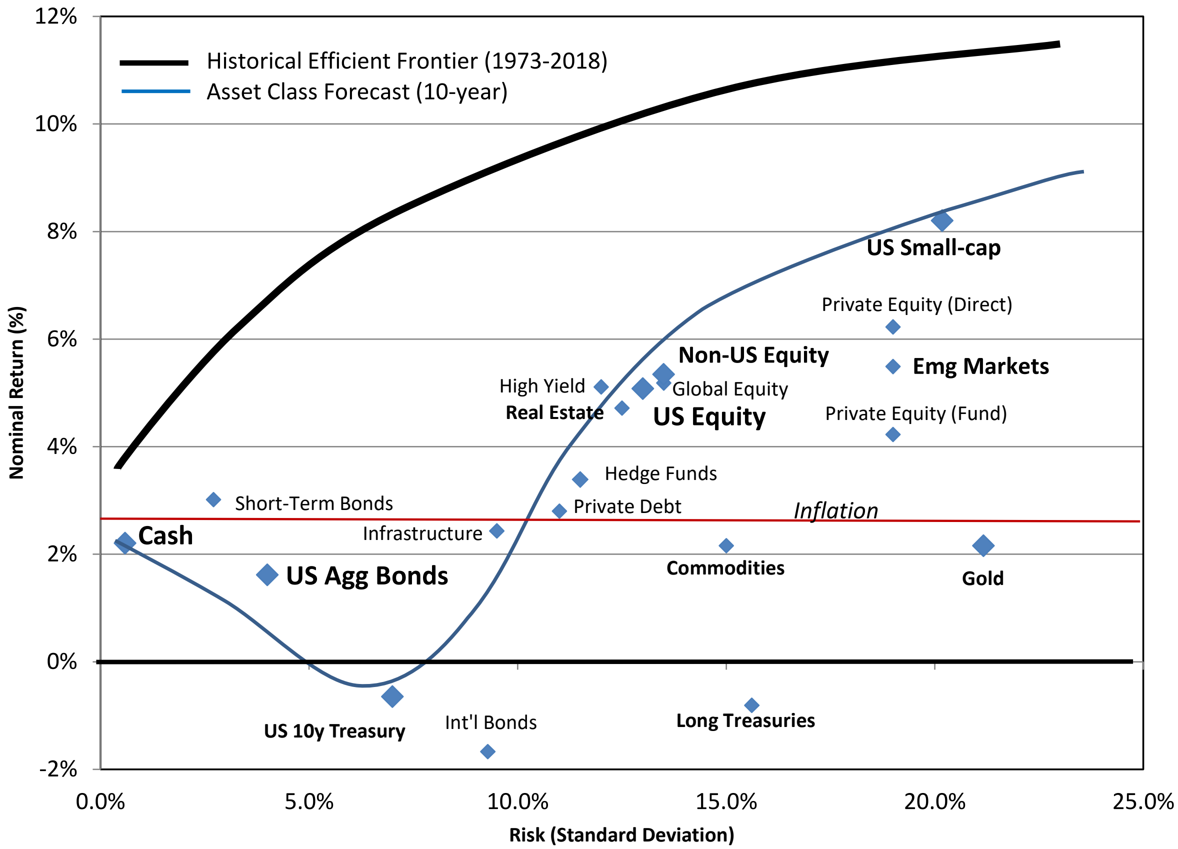
(3) Historical Data as of December 31, 2019. Periods greater than 1-year are annualized.

Source: Strategic Frontier Management, Q3 2020

Additional Sources: Refinitiv DataStream, 2019 Credit-Suisse Yearbook)

STRATEGIC 10-YEAR EXPECTED RETURNS

Unusual Strategic Frontier, Difficult Starting Point for Bonds and Alternatives
Private Markets Playing in a Crowded Sandbox---Diminished Risk Premiums



Challenging Beliefs

With normalizing rising interest rates, Treasury returns less than cash for periods of time, after manipulation for extended period may drive 0.5% excess risk yield, overshooting normal.

Historically derived Return and Risk assumptions—including volatility and correlation--can be misleading and evolving.

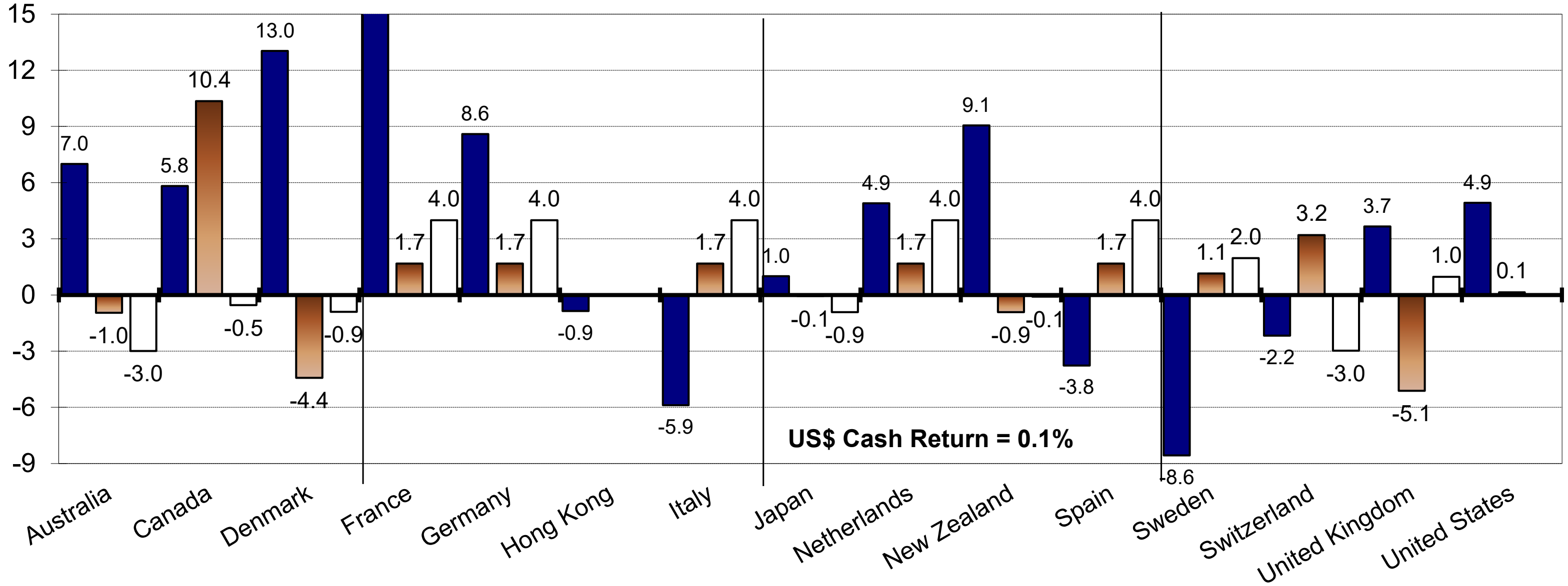
Private illiquidity risk premium should be lower given capacity constraints, stretched valuation

Input prices can't exceed output prices, commodity returns can't exceed inflation (1900-2012: -0.5% vs. CPI).

Forward looking information and forecasts contained herein are the opinion of Strategic Frontier Management. Future market returns may differ significantly from our expectations. Updated as of June 30, 2020.

GLOBAL TAA FORECASTS FAVOR EQUITIES, GREATER RETURN DIVERGENCES EXPECTED

Quarterly Local Tactical Return Forecasts (%)



			Local Markets		In (US$)		US$
MSCI	Citi WrldGvt	Jul 2020	Equity	Bond	**Stock**	**Bond**	Currency
100%	100%	World	4.8	0.4	**5.0**	**1.3**	0.2
20%	34%	Europe	4.9	0.6	**7.0**	**5.1**	2.4
9%	21%	Pacific Basin	2.3	-0.1	**1.0**	**-1.2**	-1.5
34%	56%	Non-US World	4.5	0.6	**5.2**	**2.2**	0.7
66%	44%	US	4.9	0.1	**4.9**	**0.1**	
		Cash		0.0		**0.0**	

	Lg-Sm	Va-Gr	High Yield - 10yT
US Style	-0.9%	-2.8%	11.0%
	Small -	*Growth*	*HighYld*

Source: Strategic Frontier Management - Global TAA Models (July 1, 2020)

RECOMMENDED ASSET ALLOCATION

- Upside remains for Global Equities--Global Asset Allocation models still constructive
- Global Asynchronous Expansion, plus policy divergences provide tactical opportunities
- Favor global equities (Overweight) vs. global bonds, but US$ could weaken (New!)
- *Normalization* of QE/low rates needed, as is reducing fiscal deficit, but deferred for now
- US Trade, Tax, and Regulatory reforms should continue to bolster US economy on relative basis, albeit overwhelmed by transitional effects/restrictions of global pandemic

Asset Class Model Targets	
Global Equity	Overweight
Global Bonds	Underweight
Cash	Overweight

Overweight
- Aus, Europe, NZ Eqty
- Industrials, Financials
- US Small-cap
- Euro

Neutral
- US dollar

Underweight
- Bonds: US, UK, DEN, AU, JP
- Interest rate sensitive
- SWF, JPY, AUD
- Safe havens, Gold, Low Vol
- SWD, ITA, HK Equities

EASIER TO DO THE COMFORTABLE THING

What is the difference between a bleak and a bright future?

- We can overcome recent transitory economic disruption sooner than discounted by capital markets equity drawdown
- Resilience lies in entrepreneurship and free market incentives
- Investment in research & development and education are critical rewarding risk capital investors
- Rapid innovation fundamentally lifted our living standards, as major US policy reforms boosted potential growth toward 2.7%
- Somebody else's *New Normal* doesn't have to be our destiny

Investment Opportunity

*"**The best way to predict the future is to invent it**. Really smart people with reasonable funding can do just about anything that doesn't violate too many of Newton's Laws."*
— Alan Kay, inventor of Smalltalk

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