Straight Arrow Financial Group Quarterly Update

Starting in January some of you will be meeting with Quinn for your reviews. This is the next step in his becoming one of your newest advisors here at Straight Arrow.

As you all know, we work as a team, and Quinn is a valuable part of that team. By using the team approach we are combining each members strengths to provide you with exemplary service.

It's wrestling season & we have (2) coaches and (2) parents of wrestlers in the office!

Cedar Grove – Belgium

Kewaskum

Dates to keep in mind:

- Jan. 15th - Estimated taxes need to be mailed in
- Jan. 31st - 2024 tax year 1099 mailings will begin
- April 15th - Deadline for filing your 2024 taxes
- April 15th – Estimated taxes need to be mailed in (Q1 2025)
- June 16th – Estimated taxes need to be mailed in (Q2 2025)

Commentary

Strong Year for U.S. Equities; Bonds Were Mixed

2024 was another strong year for investors in the U.S. equity market. The S&P 500 Index ended the year up 25.0% and the NASDAQ 100 Index was up 25.9%. Smaller U.S. companies lagged large caps in 2024, with the Russell 2000 Index rallying 11.5%.[1]

The U.S. equity market started the year off very strong, led by investors' bullishness on artificial intelligence-related companies. Volatility started to pick up mid-summer as U.S. equities experienced a quick selloff in July/August, but eventually rebounded higher. Uncertainty up to the November elections kept investors somewhat cautious, but equity markets rallied shortly thereafter and stabilized into the end of the year.

Bond investors experienced significant volatility this year. The year began with high expectations that the U.S. Federal Reserve would cut interest rates significantly throughout the year based on inflation continuing to decline. Inflation as measured by the Consumer Price Index (CPI) did decline last year and the Federal Reserve did cut the fed funds rate, but inflation was a bit stickier than anticipated.

Unlike investors' belief that disinflation and declining interest rates would continue through the year, interest rates across intermediate- and longer-term maturities actually moved *higher* over the course of the year. As interest rates moved higher, bond prices experienced downward price pressure. Fortunately for investors in less interest rate-sensitive and credit-sensitive bonds, income generation provided some return throughout the year.

Uncertainty is a certainty when investing. As we begin 2025, investors will need to navigate elevated equity valuations in the U.S., a potentially slowing economy, global geopolitical risks and patiently wait for the new Republican government leadership to initiate, debate and enact fiscal policies. U.S. corporate earnings are anticipated to be strong and pockets of valuation opportunities in the U.S. and abroad remain. Investors should remain prudent as we move forward.

Elections Are Over but Fiscal Policy Clarity Needed

The November elections are over with Republicans taking control of the White House, House of Representatives and Senate. Investors appeared to celebrate these results with a strong rally in risk assets following the election, anticipating a more favorable business environment under Republican leadership.

Investors will now turn from election rhetoric and promises to actual policy proposals, votes and implementation. It remains uncertain as to which proposed fiscal policies will have enough votes to be passed and implemented as desired by Republican leadership. Taxes, tariffs, immigration and government spending will be some of the key policies investors will be focused on.

Taxes. The 2017 Tax Cuts and Jobs Act, which reduced taxes for companies and individuals, has provisions that are expected to expire at the end of 2025. Under Republican leadership, investors are anticipating some sort of extension of the tax cuts, but the details are unknown. An extension of the tax cuts may be beneficial for individuals and companies, but discussions around higher U.S. debt levels could remain a concern for investors.

Tariffs. President-elect Donald Trump has been calling for expanded tariffs on trade partners. Investors will be monitoring how tariffs could be implemented and how much direct impact they might have on prices and inflation.

Immigration. Immigration was also a key campaign topic for Republicans. Immigration policies can impact labor supply and consumption, so the details of any potential deportation strategy will be important to monitor.

Government Spending. Government spending will also be a focus for the new administration. President-elect Trump proposed a presidential advisory commission called the Department of Government Efficiency (DOGE). DOGE, led by Elon Musk and Vivek Ramaswamy, is tasked with finding opportunities to reduce inefficiency and wasted expenses.

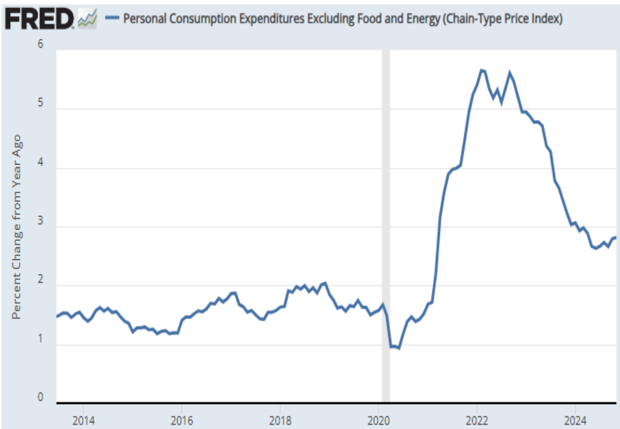
U.S. government spending is approximately 23% of GDP.[11] Any material decreases in government spending could flow through to the broader economy and will be something investors will need to keep an eye on. Investors will also be monitoring U.S. deficit spending and the overall debt-to-GDP level. If deficits are not managed effectively and debt levels continue to rise, bond markets may experience higher volatility and rising longer-term interest rates.

Fed Rate Cuts Dependent on Inflation and Unemployment

The Federal Reserve reduced the fed funds rate target 25 basis points (0.25%) to 4.25%-4.50% in December, which is a two-year low. Federal Reserve Chairman Jerome Powell reiterated that the Federal Reserve was not on a preset course and that monetary policy would be managed to try to get inflation down to the Federal Reserve's 2% target.

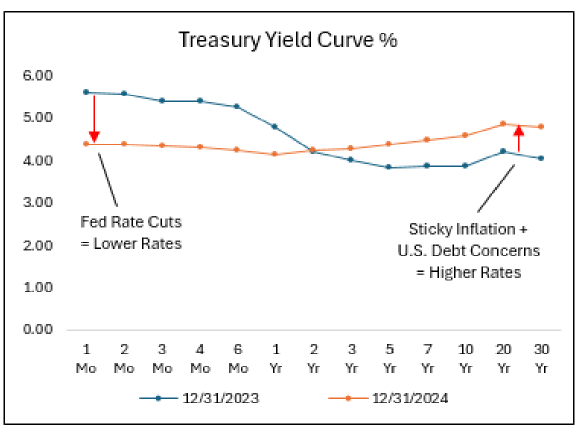
Investors will continue to monitor inflation data to gauge the probability of future Fed rate cuts. The Personal Consumption Expenditures (PCE) Excluding Food and Energy Price Index, a preferred metric used by the Fed to monitor inflation, measured 2.8% for November 2024.[2] The PCE index has been moving higher since June, which may be problematic for the Fed and investors if inflation remains elevated.

Personal Consumption Expenditures Excl. Food and Energy



Source: Data as of November 2024. U.S. Bureau of Economic Analysis. FRED[2]

As inflation has picked up again, interest rates across the Treasury yield curve have moved higher. It is important for investors to be aware that even if the Federal Reserve cuts the fed funds rate (an overnight borrowing rate), interest rates on longer-term maturities can move independently of the Fed. The Federal Reserve has a larger influence on short-term interest rates, while bond investors have more influence on longer-term rates based on their opinions on future inflation and long-term debt levels.



Source: Treasury.gov[3]

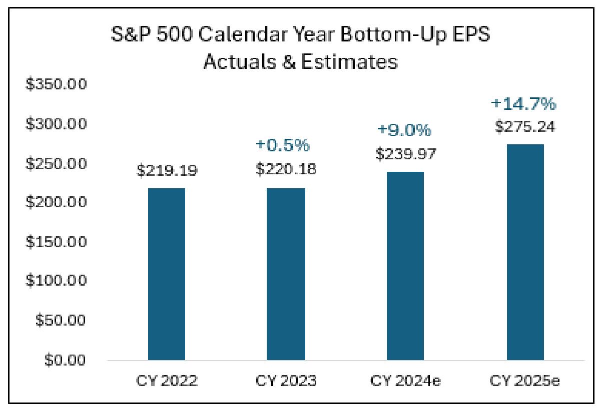
The Fed will also be keeping an eye on the second part of its dual mandate: maximum employment. The Fed monitors the unemployment rate with hopes of keeping unemployment low while maintaining a stable inflation rate.

The U.S. unemployment rate in November 2024 was 4.2%[4], which remains at the lower end of its historical range. This relatively low unemployment rate provides some indication that companies are still in need of employees and the U.S. economy remains healthy.

With inflation a bit elevated, the unemployment rate relatively low, and economic growth appears stable, the Fed may have less pressure to cut the fed funds rate much further. The Fed has reiterated it will be data dependent, so investors will need to monitor the economic data and any potential impact from new fiscal policies going forward.

Corporate Earnings Forecasted to be Strong in 2025

According to FactSet, analysts forecast that the aggregate earnings of companies in the S&P 500 Index could be $275 in earnings per share in 2025.[5] This is forecasted earnings growth of 14% relative to 2024. This anticipated strength in corporate earnings may have been one of the factors behind the U.S. equity rally in 2024.



Source: FactSet[5]

Since investors attempt to position their investments based on anticipated *future* events, investors will need to determine how much of the equity rally in 2024 was already priced in due to anticipation of earnings strength in 2025. As we get further into 2025, investors will shift their focus to future earnings growth in 2026, and equity markets could adjust accordingly.

Wall Street S&P 500 Index Forecasts for 2025

Wall Street strategists have released their 2025 year-end price targets for the S&P 500 Index. The median S&P 500 year-end 2025 price target of 15 Wall Street firms is 6600.[6] With the S&P 500 Index ending 2024 at 5881.63, this would indicate price growth of approximately 12%. With earnings estimates for the S&P 500 index anticipating solid growth, a bullish outlook for equities may be substantiated.

Wall Street strategists often change their price targets throughout the year as they update their forecasts, so take the current 2025 forecasts with some caution. For example, we can look at the list of Wall Street strategists' forecasts for 2024 as of December 11, 2023, and compare them with the actual 2024 year-end value of the S&P 500 Index.

Wall Street 2025/2024 S&P 500 Index Year-End Forecasts

Wall Street Firm	2025 S&P 500 Year-End Target	2024 S&P 500 Year-End Target
Oppenheimer Asset Management	7100	5200
Yardeni Research	7000	5400
Deutsche Bank	7000	5100
Société Générale	6750	NA
BMO Capital Markets	6700	5100
Bank of America	6666	5000
Wells Fargo Investment Institute	6600	4625
Barclays	6600	4800
RBC Capital Markets	6600	5100
CFRA Research	6585	NA
Citi	6500	5100
Goldman Sachs	6500	5100
Morgan Stanley	6500	4500
JPMorgan	6500	4200
UBS	6400	4700
Median	**6600**	**5100**
Actual Year-End Value	**?**	**5881.63**

Source: MarketWatch. 2025 Year-End Target forecasts as of December 19, 2024.[6] 2024 Year-End Target forecasts as of December 11, 2023.[7] S&P Global.[8]

In late 2023, Wall Street strategists forecasted the S&P 500 Index to end 2024 at 5100. With the S&P 500 Index ending 2024 at 5881.63[8] the strategists' initial forecasts were a fair bit under the mark. As the index rallied throughout the year, many strategists adjusted their year-end forecasts higher to keep up with the rally. These adjustments are often based on what strategists believe to be changing fundamentals and the market environment.

Investors should be cautious when relying on any one forecast to make decisions. Investors should be cognizant of all relevant factors that may affect investment results and make decisions accordingly.

Q4 Market Review

Equity Markets

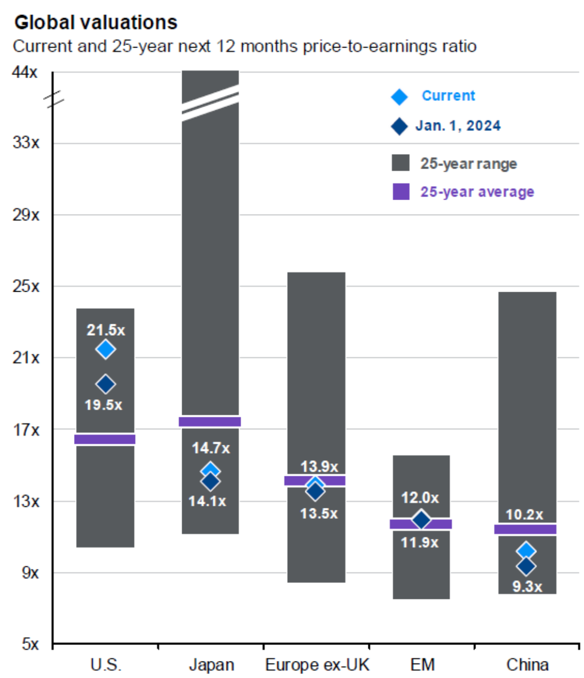
U.S. equity markets were volatile in Q4. Equities began the quarter with uncertainty leading up to the November elections but rallied once the Republican Party sweep was confirmed. After the elections, interest rates started to move higher and equity volatility picked up.

As interest rates moved higher throughout the quarter, investors appeared to seek safety in higher-quality growth companies that are less sensitive to higher interest rates. This could have also resulted in a desire to sell areas such as small caps and other cyclical areas of the market that can struggle in a higher interest rate environment.

For the quarter, large cap technology-related companies' stocks performed relatively well, while smaller, cyclical and higher dividend-paying companies showed weakness. The Russell 3000 (all cap) Growth Index rallied 6.8% in the quarter, while the Russell 3000 Value Index declined 1.9% in Q4.[1]

International developed and emerging countries' equity markets were generally weak in Q4. A significant rally in the U.S. dollar relative to foreign currencies appeared to drive a substantial part of that weakness in foreign equities. Economic and political uncertainty continue to plague the European economy, adding to investor caution. China's government appears inclined to support its economy, but China's economic data has yet to show signs of material strength.

Equity valuations in the U.S. appear to be a bit elevated, while valuations of international companies remain at a significant discount to those in the U.S. Valuations are just one factor investors consider when making investment decisions. Investors may need greater confidence in global geopolitical stability and stronger economic growth outside of the U.S. to want to take advantage of any valuation discounts currently available in international equity markets.



Source: JPMorgan Guide to the Markets. December 31, 2024[9]

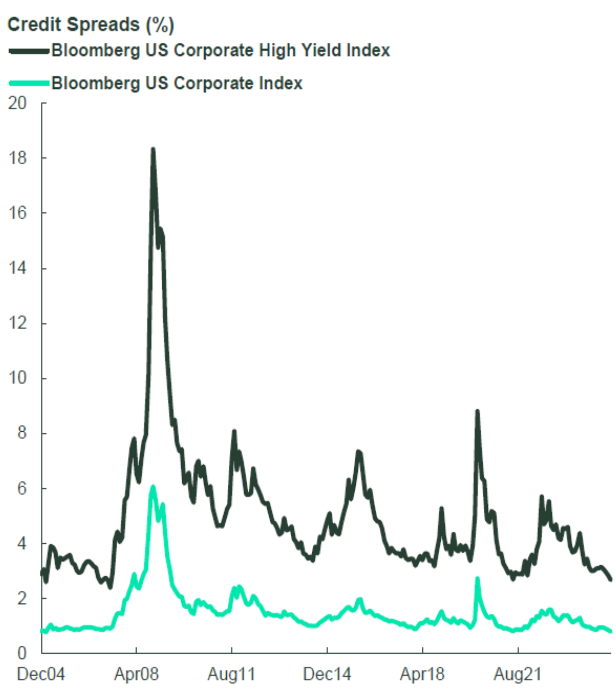
Bond Markets

As anticipated, the U.S. Federal Reserve cut the fed funds rate by 25 basis points (0.25%) in December, but interest rate-sensitive bonds struggled in Q4 as interest rates moved higher due to inflation picking back up again. Investors were reminded that interest rates with intermediate- and longer-term maturities can move independently and sometimes opposite of the Fed's monetary policy changes.

The U.S. 10-Year Treasury yield jumped to 4.58% at the end of Q4, an increase of 77 basis points from the end of Q3. The 30-Year Treasury yield increased to 4.78% at the end of the quarter, an increase of 64 basis points from the end of Q3.[3]

As interest rates moved higher, interest rate-sensitive bond prices declined. The Bloomberg Intermediate-Term U.S. Treasury Index declined 1.7%, and the Bloomberg Long-Term U.S. Treasury Index declined 8.6% in the quarter.[1]

Credit-sensitive bonds generally outperformed in Q4 as their higher income generation and less interest rate-sensitivity helped cushion the downward price pressures from rising interest rates. Credit spreads remain tight, a potential headwind as bond investors receive less additional income for taking on credit risk. Investors anticipate moderate economic growth and strong corporate earnings in 2025, which could continue to provide some comfort for bond investors seeking additional income through credit exposure.



Source: Data as of November 30, 2024. State Street SPDR ETF Chart Pack. December 2024[10]

Commodity Markets

Commodity markets were mixed in Q4. Energy markets performed well, while industrial metals and precious metals generally declined in the quarter.

Energy markets saw some strength in the quarter. WTI Crude Oil rallied over 8% in Q4, rebounding from significant weakness experienced in Q3.[1] Energy investors will need to continue to navigate geopolitical risks, global economic growth and a potential increase in U.S. oil production as called for by President-elect Trump.

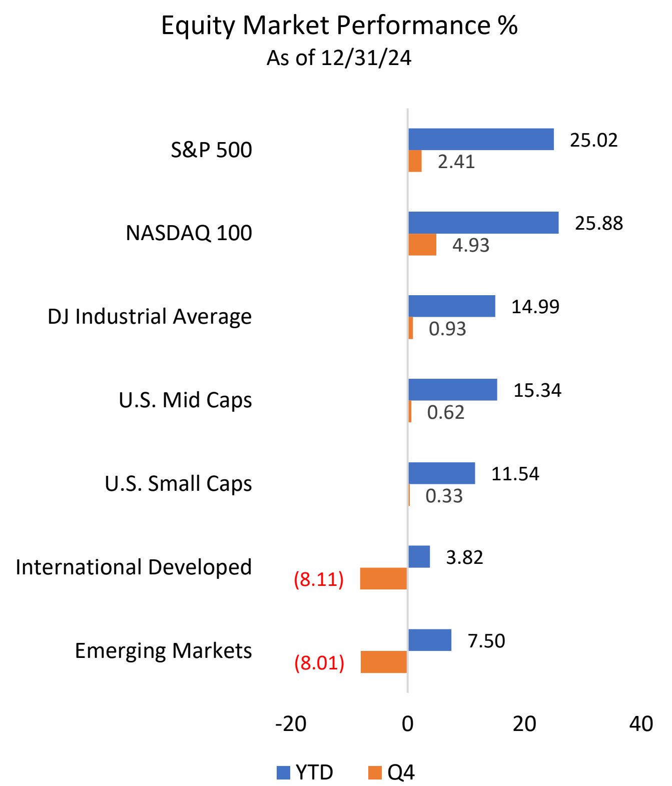
Industrial metals broadly declined in the quarter. This weakness coincided with a risk-off period for cyclical areas of the equity market. Investors may be trying to price in potential weakness for industrial metals and other economically-sensitive assets if interest rates continue to move higher and negatively impact the U.S. economy.

Gold prices were only slightly weaker in Q4, but gold had a very strong 2024, rallying over 26% for the year. Interest rate and currency volatility may continue to impact gold prices throughout 2025.

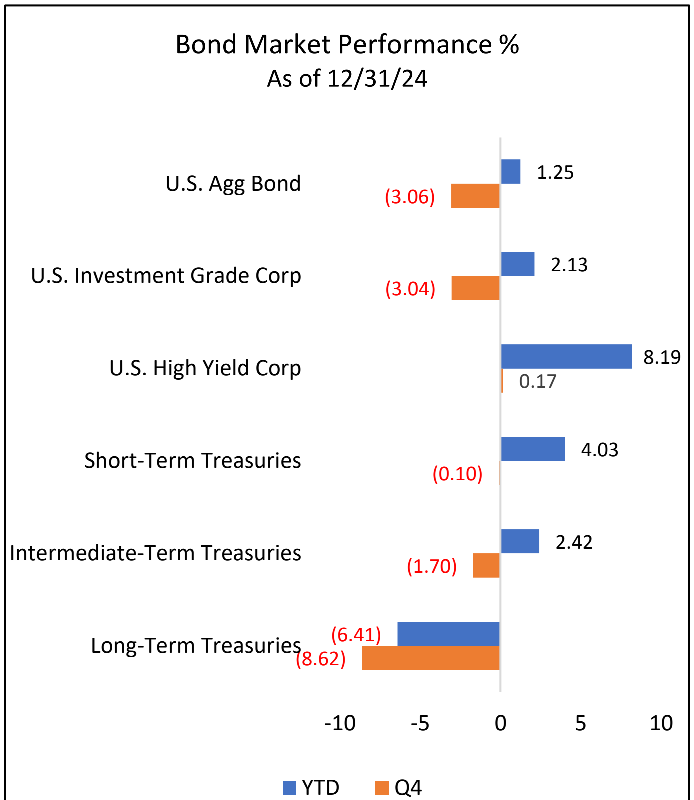
Currency Markets

The U.S. Dollar Index rallied over 7% in Q4[1], showing material strength relative to other foreign currencies in the quarter. If global investors believe that new U.S. government leadership could be good for the U.S. business environment while creating challenges for foreign trade partners, it could be supportive of the U.S. dollar. In addition, rising U.S. interest rates relative to other developed market countries could continue to attract investors to U.S. bonds and the dollar.

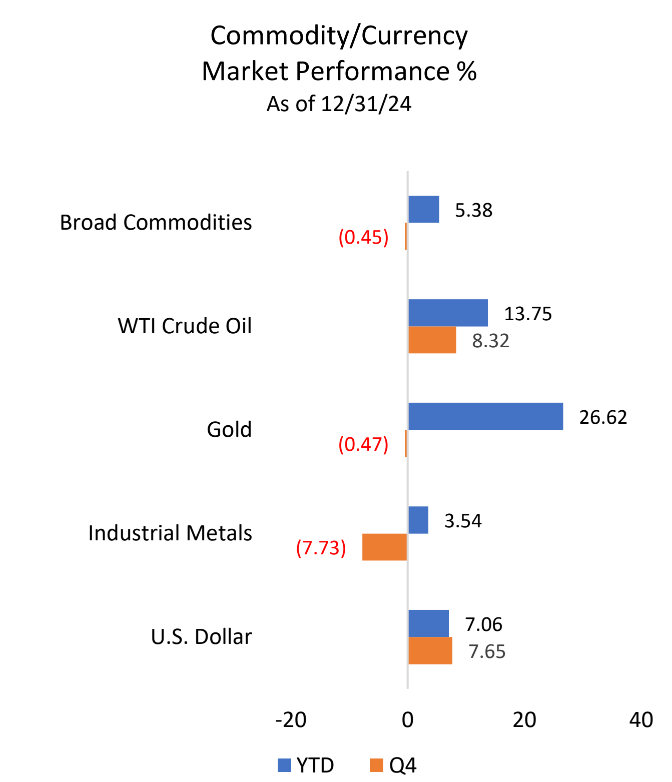
MARKET PERFORMANCE



Source: Morningstar Direct



Source: Morningstar Direct



Source: Morningstar Direct

STRAIGHT ARROW FINANCIAL GROUP MANAGED PORTFOLIOS

INCOME PORTFOLIOS

The Income portfolios primarily invest in higher income-generating assets. This can include dividend-paying stocks, option-income strategies, investment grade bonds, high yield bonds, emerging markets debt and real estate securities. The portfolios' risk exposure is not tactically managed, which can result in poor performance in weak U.S. market environments.

Performance Review

The Income portfolios declined in Q4 as income-generating assets broadly declined along with a rise in interest rates along the yield curve. Performance across the portfolios' income-generating strategies was mixed. While equity income strategies were weak in Q4, the portfolios' exposure to U.S. large-cap core option income and dynamic multi-asset income strategies outperformed. Exposure to international dividend growth was also a detractor in the quarter as foreign equities and foreign currencies generally underperformed U.S. assets. Exposures to closed-end fund and global real estate income strategies were also detractors in Q4.

Across the fixed income allocation, the portfolios' structural underweight to interest rate-sensitive bonds, along with the allocation to tactical bond managers similarly underweight duration, were strong contributors in Q4 as interest rates rose and bond prices declined. An overweight to credit-sensitive bonds also contributed positively, as their higher yields generated income for the portfolios.

For our Income – Ultra-Conservative portfolio, performance was weak in Q4 due to rising interest rates and falling bond prices. The portfolios' structural underweight to duration and overweight to tactical bond managers were large positive contributors in the quarter, protecting material value relative to core, intermediate-term, interest rate-sensitive bond indices.

Positioning

Risk Assets
The Income portfolios remain allocated across a diversified set of income-generating investment strategies. These strategies include U.S. and international dividend growth companies, mid cap dividend-paying companies, tactical multi-asset income, option income, closed-end funds and global real estate income strategies. We believe the allocation across these strategies allows for asset class diversification, attractive income generation and potential upside equity participation over time.

Conservative Assets
The Income portfolios' conservative assets allocation remains positioned across actively-managed bond managers. We prefer active, credit-sensitive bond managers over passive bond strategies for the Income portfolios. We believe these active bond managers have the breadth, depth and experience to successfully manage their strategies in both strong and weak bond market environments over time.

TOTAL RETURN PORTFOLIOS

The Total Return portfolios provide long-term diversified exposure across U.S. and international equities, bonds and income-generating assets. The portfolios are structured to participate in the upside of bullish equity and credit markets and provide moderate income generation. The portfolios' risk exposure is not tactically managed and can result in poor performance in weak market environments.

Performance Review

The Total Return portfolios were weak in Q4, driven by challenges in foreign equity and bond markets. The strongest contributor in the quarter was our exposure to quality U.S. growth companies, as investors preferred growth over value and income-generating assets. The portfolios' exposure to international developed and emerging markets was also a detractor as foreign equities and foreign currencies generally underperformed U.S. equities in Q4. Exposures to tactical multi-asset income and closed-end funds were detractors as income-generating assets experienced downside pressure while interest rates moved higher in the quarter.

In the Total Return taxable bond allocation, exposure to core, intermediate-term bond managers detracted, as rising interest rates caused bond prices to decline. The portfolios' allocation to tactical bond managers was a strong positive contributor in Q4 as their underweight to interest rate-sensitive bonds protected some value. In the Total Return Muni portfolios, the interest rate sensitivity of muni bonds resulted in weaker performance, but the allocation to active muni bond managers was slightly positive overall.

Positioning

Risk Assets
The Total Return portfolios' risk assets remain structurally allocated across equities and multi-asset, income-generating strategies. We prefer to remain diversified across geographies, market cap, investment styles (growth, core, value) and income-generating assets. We also maintain positions across active, rules-based and passive strategies to try to balance fundamentally-driven strategies with efficiently-priced investment options.

Conservative Assets
The conservative assets of the Total Return portfolios remain allocated to active bond managers that provide broad exposure to the U.S. bond market. We believe these bond managers can successfully navigate challenging bond markets while adding value relative to traditional core, passive bond investment options.

U.S. CORE PORTFOLIOS

The U.S. Core portfolios provide long-term exposure to core U.S. equity and bond markets. The portfolios may have some exposure to non-core markets, including foreign assets and lower-quality fixed income. The portfolios are structured to participate in the upside of bullish U.S. equity and credit markets. The portfolios' risk exposure is not tactically managed and can result in poor performance in weak U.S. market environments.

Performance Review

The U.S. Core portfolios were mixed in Q4 as U.S. equities were flat to higher, while bond prices declined as interest rates moved higher. Within the equity allocation, exposure to higher-quality growth companies was additive, as investors appeared to prefer quality growth over value-oriented and income-generating assets in Q4. Our allocation to an active valuation-focused equity manager was also relatively positive during a period when "value" stocks generally struggled. Dedicated exposure to quality small companies was a key detractor in the quarter as investors may have preferred the perceived safety in larger quality companies to end the year.

In the U.S. Core portfolios' taxable bond allocation, exposure to core, intermediate-term bonds detracted, as rising interest rates caused bond prices to decline. Our allocation to tactical bond managers was highly beneficial in Q4, as their underweight duration positioning was rewarded. In our U.S. Core Muni portfolios, our aggregate allocation to active managers was slightly beneficial, as their underlying positioning helped protect some value in a weak muni market environment.

Positioning

Risk Assets
We continue to allocate the U.S. Core portfolios across market cap and investment styles (growth, core, value) to help provide long-term diversification. The portfolios also remain allocated across passive, rule-based and active managers in areas where we believe added value could be obtained.

Conservative Assets
The U.S. Core portfolios remain allocated to a broad range of bond securities, including across sector, credit quality, maturity and interest rate-sensitivity. We continue to prefer actively-managed core and tactical bond managers, as we believe they have the breadth and depth of resources and knowledge to navigate the complex and ever-changing bond markets.

SOURCES

1. Morningstar Direct. Performance provided as total returns. U.S. Mid Caps is defined by the Russell Mid Cap TR USD index. U.S. Small Caps is defined by the Russell 2000 TR USD index. U.S. Growth is defined by the Russell 3000 Growth TR USD index. U.S. Value is defined by the Russell 3000 Value TR USD index. International Developed is defined by the MSCI EAFE NR USD index. Emerging Markets is defined by the MSCI Emerging Markets NR USD index. U.S. Agg Bond is defined by the Bloomberg U.S. Aggregate Bond TR USD index. U.S. Investment Grade Corp is defined by the Bloomberg U.S. Corporate Investment Grade TR USD Index. U.S. High Yield is defined by the Bloomberg High Yield Corporate TR USD index. Broad Commodities is defined by the Bloomberg Commodity TR USD index. WTI Crude Oil is defined by the Bloomberg Sub WTI Crude Oil TR USD Index. Gold is defined by the Bloomberg Sub Gold TR USD Index. Industrial Metals is defined by the Bloomberg Sub Industrial Metals TR USD Index. Short-Term Treasuries defined by the Bloomberg 1-3 Yr U.S. Treasury TR USD index. Intermediate-Term Treasuries defined by the Bloomberg Intermediate U.S. Treasury TR USD Index. Long-Term Treasuries defined by the Bloomberg Long-Term U.S. Treasury TR USD Index.
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DEFINITIONS

S&P 500® Index: The S&P 500® Index is a market cap-weighted stock market index of 500 companies across several industries. The index is often used as a broad representation of the common stocks of the largest publicly-traded companies in the United States.

S&P 500® Growth Index: The S&P 500® Growth Index is a subset of the S&P 500® Index, consisting of companies that exhibit above average growth based on sales, earnings and momentum.

S&P 500® Value Index: The S&P 500® Growth Index is a subset of the S&P 500® Index, consisting of companies that exhibit value, based on book value, earnings and sales to price.

Dow Jones Industrial Average Index: The Dow Jones Industrial Average Index is a price-weighted stock market index that tracks 30 large, publicly traded companies in the United States.

NASDAQ 100 Index: The NASDAQ 100 Index is a stock index that includes the largest 100 non-financial stocks traded on the Nasdaq exchange.

MSCI EAFE Index: The MSCI EAFE (Europe, Australasia and Far East) Index is a stock market index constructed to measure the performance of large cap and mid cap stocks across developed countries around the world, excluding the U.S. and Canada.

MSCI Emerging Markets Index: The MSCI Emerging Markets Index is a stock market index constructed to measure the performance of large and mid cap stocks across emerging countries around the world.

Emerging Markets: Emerging markets, also known as developing markets or developing countries, refer to countries, nations, and/or regions that are transitioning to more advanced economies. Relative to developed economies, emerging markets often have higher economic growth rates, lower per-capita incomes, higher sociopolitical instability, and less sophisticated financial markets. Investments in emerging markets can often be more volatile than in developed markets due to the potential for greater uncertainty in these markets.

Bloomberg U.S. Aggregate Bond Index: The Bloomberg U.S. Aggregate Bond Index is an unmanaged index that measures investment grade, U.S. dollar-denominated, fixed rate taxable bonds.

Bloomberg U.S. Corporate Investment Grade Bond Index: The Bloomberg U.S. Corporate Investment Grade Bond Index is a broad-based benchmark that measures the performance of investment-grade, fixed-rate, taxable corporate bonds issued by U.S. companies.

High Yield Bonds: High yield bonds refer to securities that are rated below investment grade by one of the established credit agencies (Standard & Poor's, Fitch, Moody's). These securities are often perceived as having greater risk of default.

Bloomberg High Yield Corporate Index: The Bloomberg High Yield Corporate Index measures the performance of U.S. dollar-denominated, high-yield (non-investment grade) corporate bonds.

Bloomberg U.S. Treasury Index: The Bloomberg U.S. Treasury Index measures the performance of U.S. Treasury bonds with maturities of one year or more. It includes fixed-rate, non-convertible, investment-grade securities issued by the U.S. Treasury.

Bloomberg Commodity Index: The Bloomberg Commodity Index is an index that is designed to provide diversified exposure to physical commodities via futures contracts.

Bloomberg Sub WTI Crude Oil Index: The Bloomberg Sub WTI Crude Oil Index is a sub-index of the Bloomberg Commodity Index that specifically tracks the performance of West Texas Intermediate (WTI) crude oil futures. It reflects the returns of WTI crude oil futures contracts traded on the New York Mercantile Exchange (NYMEX), providing a measure of the commodity's market performance.

Bloomberg Sub Gold Index: The Bloomberg Sub Gold Index is a commodity group sub-index of the Bloomberg Commodity Index that is composed of futures contracts on gold. It reflects the return of the gold futures price movements only and is quoted in U.S. dollars.

Bloomberg Sub Industrial Metals Index: The Bloomberg Sub Industrial Metals Index is a sub-index of the Bloomberg Commodity Index that tracks the performance of industrial metals futures contracts, providing a measure of price movements in metals such as aluminum, copper, nickel, and zinc.

Mutual Funds: Mutual funds are generally constructed as a pooled investment vehicle, managed by an investment firm. Mutual funds can be invested in stocks, bonds and other types of investments. Mutual funds are priced at net asset value (NAV) at the end of each trading day.

Exchange Traded Funds: Exchange traded funds (ETFs) are generally constructed to attempt to track the performance of an underlying index. ETFs can be invested across stocks, bonds and other types of investments. ETFs can trade intra-day, similarly to common stocks.

Closed End Funds: Closed end funds (CEFs) are generally constructed as a pooled investment fund, actively managed by an investment management firm. Closed end funds can be invested across stocks, bonds and other types of investments. Closed end funds trade at a market price, which may be at a premium or discount to the net asset value of the underlying fund assets. Closed end funds may utilize leverage, which can potentially increase returns and volatility relative to non-leveraged funds. Closed end funds can trade intra-day, similarly to common stocks.

Risk Assets: Risk assets generally refer to assets that carry a perceived high degree of risk and price volatility. Risk assets can include stocks, lower quality bonds, highly interest rate-sensitive bonds, commodities, currencies and certain alternative strategies.

Conservative Assets: Conservative assets generally refer to assets that carry a perceived low degree of risk and price volatility. Conservative assets can include cash securities and higher quality, less interest rate-sensitive bonds.

Tactical Investing: Tactical or active investing is an investment strategy where investment decisions are driven by opinions based on gathered information. There are different tactical investment styles, including, but not limited to, valuation-sensitive and momentum-driven styles. Tactical investing styles may also differ based on investment time horizons from days, weeks, months or years.

Passive Investing: Passive investing is an investment strategy that generally refers to buy and hold investing. This investment style does not attempt to make changes to portfolio allocations or investments based on opinions and information gathering.

Alternative Strategies: Alternative strategies refer to investments or investment styles that often incorporate non-traditional tactical investing methods, including, but not limited to, technical analysis, shorting, arbitrage, utilizing leverage and short-term tactical trading. Alternative strategies may also be referred to by their investment style categories, including, but not limited to, long/short equity, hedged equity, managed futures, unconstrained, and global macro. Alternative strategies may perform very differently from traditional asset classes, thus investors must be aware of the potential for widely differentiated performance relative to traditional stock and bond markets over shorter periods of time.

Fundamental Analysis: Fundamental analysis refers to making investment decisions based on gathered information, including, but not limited to, economic, sector, industry, company and security research to attempt to forecast future investment performance.

Technical Analysis: Technical analysis generally refers to analyzing an investment's price performance over a specified time period to attempt to predict the future potential performance of that investment. Technical analysis is often utilized in momentum-driven investment styles and may not incorporate fundamental analysis when making investment decisions.

Drawdown: A market drawdown refers to the investment performance from peak-to-trough over a specified time period.

Price-to-Earnings Ratio: The price-to-earnings ratio (P/E ratio) is the ratio of a company's stock price to the company's earnings per share. The P/E ratio is often utilized as a metric in valuing a company.

Price-to-Book Ratio: The price-to-book ratio (P/B ratio) is the ratio of a company's stock price to the company's book value. A company's book value refers to the company's total assets minus its intangible assets and liabilities. A company's book value is listed on its balance sheet and is the total value of the company that shareholders would theoretically receive if the company was liquidated, and liabilities were paid. The P/B ratio is often utilized as a metric in valuing a company.

Duration: Duration is a measure of the sensitivity of a bond's price to a change in interest rates. Generally, the higher the duration of a bond or portfolio, the higher the sensitivity of that bond or portfolio to changes in interest rates.

Credit Risk: Credit risk refers to the risk of default on debt, where the borrower fails to pay, and the lender may lose a portion, or all the principal lent to the borrower. Generally, the higher the credit risk, the higher the yield and volatility of the security relative to other securities that are believed to have lower credit risk.

Currency Risk: Currency risk is a form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged. Exposure to foreign currencies can come from direct investing in foreign currencies or from investing in foreign assets (stocks, bonds, real estate, etc.).

IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide or be construed as providing specific investment advice or recommendations for any individual security.

Any economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

The term “portfolios” used in this piece is in reference to the Straight Arrow Financial Group model portfolios. Any reference to performance is based on estimated, unaudited, gross of fee performance of the model portfolios. Model portfolio performance is calculated through Morningstar Direct based on model portfolio holdings. Client accounts assigned a Straight Arrow Financial Group model portfolio may have positioning and performance that differs from the firm’s model portfolios at any given time.

There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to affect some of the strategies. Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond and bond mutual fund values and yields will decline as interest rates rise and bonds are subject to availability and change in price. Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal, and potential illiquidity of the investment in a falling market.

Asset management does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

The fast price swings in commodities will result in significant volatility in an investor’s holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.

Precious metal investing involves greater fluctuation and the potential for losses.

Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor’s portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

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This research material has been prepared by Straight Arrow Financial Group.