PARS/CITY OF CUPERTINO 115P OPEB & PENSION ACCOUNTS

September 30, 2020

U.S. Bank Institutional Asset Management

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Table of Contents

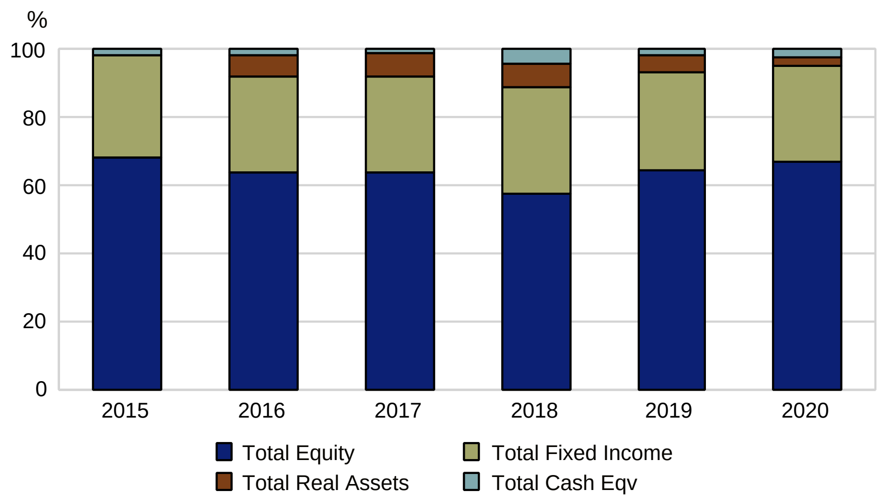
PORTFOLIO REVIEW

History of Asset Growth Graphs

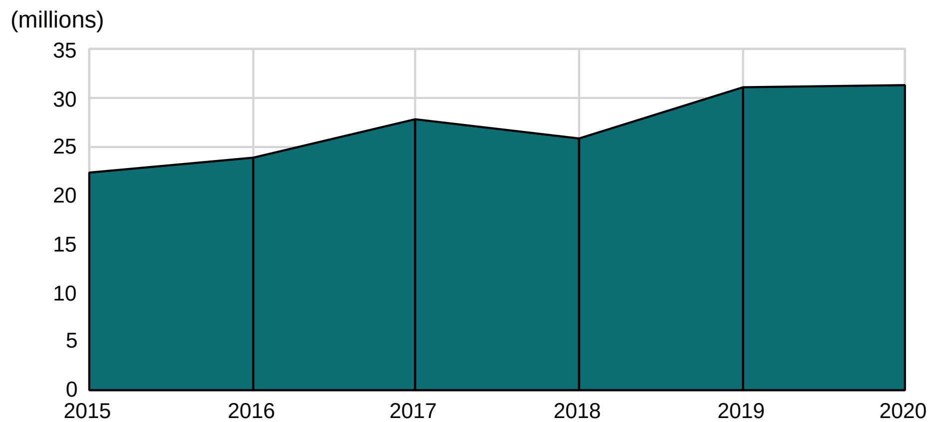
Annual Portfolio Values

	Consolidated	Jan 2015-Dec 2015	Jan 2016-Dec 2016	Jan 2017-Dec 2017	Jan 2018-Dec 2018	Jan 2019-Dec 2019	Jan 2020-Sep 2020
Beginning Portfolio Value	**14,766,783**	**14,766,783**	**22,293,645**	**23,808,269**	**27,914,893**	**25,771,054**	**31,154,264**
Contributions	36,325,738	8,000,001	3	2	15	28,325,715	2
Withdrawals	-28,929,488	-96,399	-97,969	-106,702	-113,476	-28,432,997	-81,946
Income Earned	2,867,892	406,272	448,187	452,364	548,841	695,433	316,796
Gain/Loss	6,322,845	-783,011	1,164,403	3,760,960	-2,579,219	4,795,058	-35,346
Ending Portfolio Value	**31,353,770**	**22,293,645**	**23,808,269**	**27,914,893**	**25,771,054**	**31,154,264**	**31,353,770**
Total Return	**6.03**	**-1.95**	**7.25**	**17.73**	**-7.30**	**20.89**	**.92**
Principal	4.04	-3.72	5.20	15.74	-9.15	18.08	-.17
Income	1.92	1.82	1.97	1.74	1.99	2.42	1.08

Allocation Over Time



Ending Market Values Over Time



Custom Benchmark

CITY OF CUPERTINO

Asset Class	Benchmark	Range	Target
Equities	MSCI AC World Free Index	50%-70%	62%
Fixed Income	BBARC Global Aggregate Index	20%-40%	29%
Real Estate	S&P Global REIT TR USD	0%-15%	6%
Commodities	S&P GSCI Commodity Index	0%-10%	2%
Cash	FTSE 3-Mo US T-Bill Index	0%-10%	1%

Selected Period Performance

	Market Value	3 Months	Year to Date (9 Months)	1 Year	3 Years	5 Years	77 Months	Inception to Date 07/01/2010
Total Portfolio Gross of Fees	31,353,770	6.84	.92	7.24	5.59	8.10	5.68	6.73
Total Portfolio Net of Fees	31,353,770	6.79	.78	7.03	5.39	7.88	5.45	
City of Cupertino		6.22	1.46	7.57	6.18	8.06	5.16	7.44
Total Equity	20,923,402	10.55	7.88	18.04	9.22	11.84	9.19	12.06
MSCI ACWI (Net)		8.13	1.37	10.44	7.12	10.30	7.06	9.76
U.S. Equity	15,255,764	9.01	4.66	13.42	9.55	12.26	10.37	
S&P 500 Index (Gross)		8.93	5.57	15.15	12.28	14.15	11.71	14.58
S&P MidCap 400 Index		4.77	-8.62	-2.16	2.90	8.11	6.78	11.56
S&P SmallCap 600 Index		3.17	-15.25	-8.29	-.33	7.20	5.84	11.29
Developed Markets Equity	3,467,944	16.27	23.72	39.65	11.95	12.29	7.67	
MSCI EAFE Index (Net)		4.80	-7.09	.49	.62	5.26	2.06	6.07
Emerging Markets Equity	2,199,694	12.92	4.74	14.85	1.97	8.01	2.59	
MSCI Emerging Markets Index (Net)		9.56	-1.16	10.54	2.42	8.97	3.81	4.11
Total Fixed Income	8,894,505	.92	-3.97	-2.57	1.38	2.70	1.58	2.56
BBARC Global Aggregate Index		2.66	5.72	6.24	4.10	3.92	2.21	3.00
BBARC US Aggregate Bond Index		.62	6.79	6.98	5.24	4.18	3.93	3.79
Total Real Assets	871,216	2.27	-12.85	-13.69	.58			
Real Estate	871,216	2.27	-12.85	-13.69	1.26	4.44	5.00	
S&P Global REIT Index (Gross)		2.63	-18.56	-17.69	-.10	3.35	3.49	8.20
S&P GSCI Index		4.61	-33.38	-27.84	-9.46	-7.88	-15.29	-7.93
Total Cash Equivalents	664,647	.01	.34	.74	1.39	.99	.78	.50
ICE BofAML US 3-Month Treasury Bill Index		.04	.64	1.10	1.69	1.20	.94	.62
Pending Cash	0	.00	.00	.00	.00	.00	.00	.00

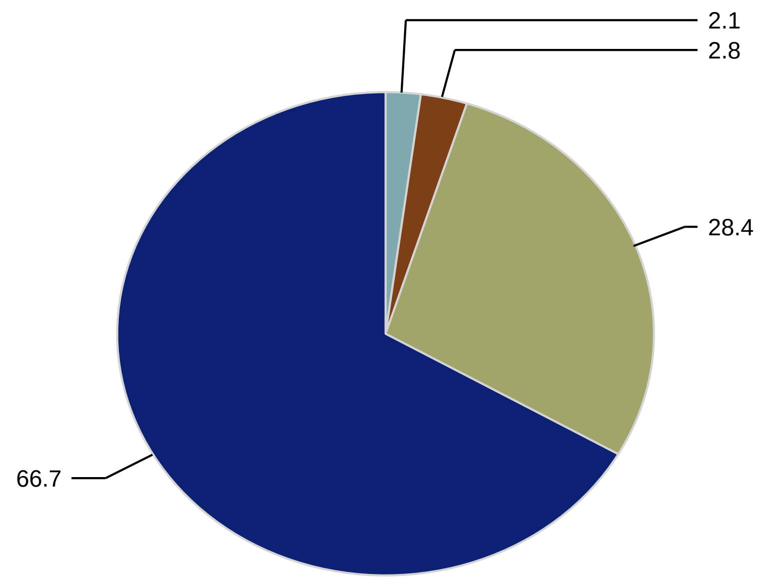
For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

Asset Allocation Analysis Graph

Market Value by Asset Class

	Market Value	% of Mkt Val
Total Equity	20,923,402	66.7
Total Fixed Income	8,894,505	28.4
Total Real Assets	871,216	2.8
Total Cash Eqv	664,647	2.1
Total	**31,353,770**	**100.0**

Market Value by Asset Class Pie Chart



	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Total		**100.0**			**31,328,239**	**6,290,298**	**25,037,941**	**1.68**	**525,217**
Cash		**2.12**			**664,632**	**664,632**	**0**	**0.05**	**306**
Cash Equivalents		**2.12**			**664,632**	**664,632**	**0**	**0.05**	**306**
FIRST AM GOVT OB FD CL Z	31846V567	2.12	1.00	664,632	664,632	664,632	0	0.05	306
Fixed Income		**28.32**			**8,873,698**	**2,123,294**	**6,750,404**	**2.97**	**263,841**
Investment Grade		**25.32**			**7,932,391**	**1,767,299**	**6,165,092**	**2.67**	**211,512**
Mutual Funds & ETFs		**25.32**			**7,932,391**	**1,767,299**	**6,165,092**	**2.67**	**211,512**
DoubleLine Total Return Bond Fund Class I	DBLTX	4.87	10.74	141,977	1,524,830	649,110	875,720	3.53	53,809
Fidelity U.S. Bond Index Fund	FXNAX	15.58	12.54	389,267	4,881,408	478,472	4,402,936	2.25	109,773
PGIM Total Return Bond Fund Class R6	PTRQX	4.87	14.87	102,633	1,526,153	639,716	886,437	3.14	47,930
High Yield		**3.00**			**941,307**	**355,995**	**585,312**	**5.56**	**52,329**
Mutual Funds & ETFs		**3.00**			**941,307**	**355,995**	**585,312**	**5.56**	**52,329**
American Century High Income Fund Class...	NPHIX	3.00	9.12	103,213	941,307	355,995	585,312	5.56	52,329
Equity		**66.79**			**20,923,402**	**3,502,373**	**17,421,030**	**1.15**	**240,427**
Large Cap U.S. Equity		**32.51**			**10,183,450**	**1,911,878**	**8,271,572**	**1.17**	**119,179**
Mutual Funds & ETFs		**32.51**			**10,183,450**	**1,911,878**	**8,271,572**	**1.17**	**119,179**
Columbia Dividend Income Fund Class I3	CDDYX	7.04	23.77	92,778	2,205,338	367,459	1,837,879	2.03	44,812
Harbor Capital Appreciation Fund - Retirem...	HNACX	9.26	103.89	27,929	2,901,573	486,854	2,414,719	0.11	3,240
T. Rowe Price Blue Chip Growth Fund, Inc.	TRBCX	9.23	154.88	18,670	2,891,578	653,887	2,237,691	0.07	2,054
Vanguard Equity Income Fund Admiral Sha...	VEIRX	6.97	70.73	30,892	2,184,962	403,679	1,781,282	3.16	69,074
Mid Cap U.S. Equity		**12.13**			**3,800,642**	**266,674**	**3,533,969**	**1.59**	**60,612**
Mutual Funds & ETFs		**12.13**			**3,800,642**	**266,674**	**3,533,969**	**1.59**	**60,612**
Fidelity Mid Cap Index Fund	FSMDX	12.13	22.95	165,605	3,800,642	266,674	3,533,969	1.59	60,612
Small Cap U.S. Equity		**4.06**			**1,271,672**	**120,130**	**1,151,542**	**1.30**	**16,575**
Mutual Funds & ETFs		**4.06**			**1,271,672**	**120,130**	**1,151,542**	**1.30**	**16,575**
Fidelity Small Cap Index Fund	FSSNX	4.06	19.18	66,302	1,271,672	120,130	1,151,542	1.30	16,575
Developed Markets Equity		**11.07**			**3,467,944**	**165,637**	**3,302,307**	**1.00**	**34,550**
Mutual Funds & ETFs		**11.07**			**3,467,944**	**165,637**	**3,302,307**	**1.00**	**34,550**
Vanguard International Growth Fund Admir...	VWILX	11.07	134.30	25,822	3,467,944	165,637	3,302,307	1.00	34,550
Emerging Markets Equity		**7.02**			**2,199,694**	**1,038,053**	**1,161,641**	**0.43**	**9,511**

Holdings Date: 9/30/2020

	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Mutual Funds & ETFs		**7.02**			**2,199,694**	**1,038,053**	**1,161,641**	**0.43**	**9,511**
Baron Emerging Markets Fd Inst Shs	BEXIX	7.02	15.82	139,045	2,199,694	1,038,053	1,161,641	0.43	9,511
Real Assets		**2.77**			**866,507**	**0**	**866,507**	**2.38**	**20,643**
U.S. Listed Real Estate		**2.77**			**866,507**	**0**	**866,507**	**2.38**	**20,643**
Nuveen Real Estate Securities Fund Cl I	FARCX	2.77	17.63	49,150	866,507	0	866,507	2.38	20,643

Fixed Income Holdings

Account: 6746059600 | *Holdings Method: Direct* | *Report Date: 09/30/2020*

	Symbol	% of Fixed Income	Portfolio Value	Projected Annual Income	Current Yield	Yield to Maturity	Effective Duration	Effective Maturity	Avg. Quality
Total		**100.00**	**8,873,698**	**263,841**	**2.97**	**2.00**	**5.21**	**5.45**	**BBB+**
Investment Grade		**89.40**	**7,932,391**	**211,512**	**2.67**	**2.00**	**5.36**	**4.82**	**A-**
Mutual Funds & ETFs		**89.40**	**7,932,391**	**211,512**	**2.67**	**2.00**	**5.36**	**4.82**	**A-**
DoubleLine Total Return Bond Fund Class I	DBLTX	17.20	1,524,830	53,809	3.53	2.00	3.19	4.82	BB
Fidelity U.S. Bond Index Fund	FXNAX	55.00	4,881,408	109,773	2.25	NA	5.60	NA	AA
PGIM Total Return Bond Fund Class R6	PTRQX	17.20	1,526,153	47,930	3.14	NA	6.76	NA	BB
High Yield		**10.60**	**941,307**	**52,329**	**5.56**	**NA**	**3.98**	**6.46**	**B**
Mutual Funds & ETFs		**10.60**	**941,307**	**52,329**	**5.56**	**NA**	**3.98**	**6.46**	**B**
American Century High Income Fund Class Y	NPHIX	10.60	941,307	52,329	5.56	NA	3.98	6.46	B

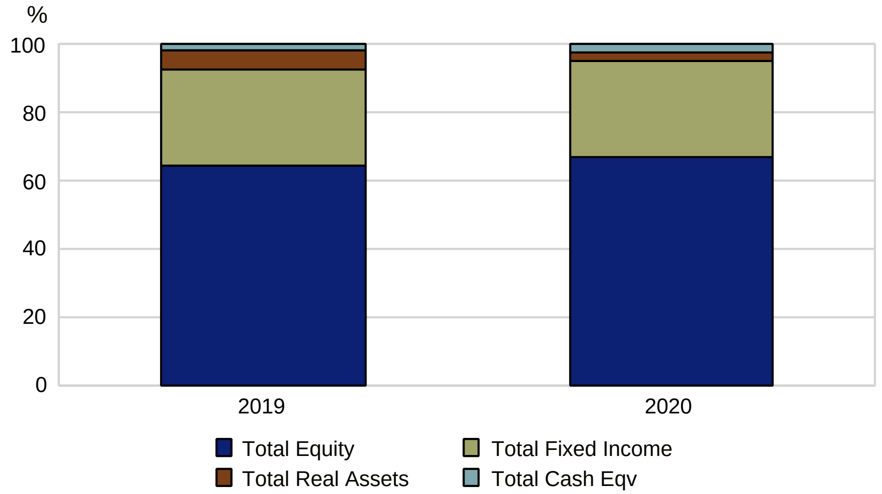
Holdings Date: 9/30/2020

History of Asset Growth Graphs

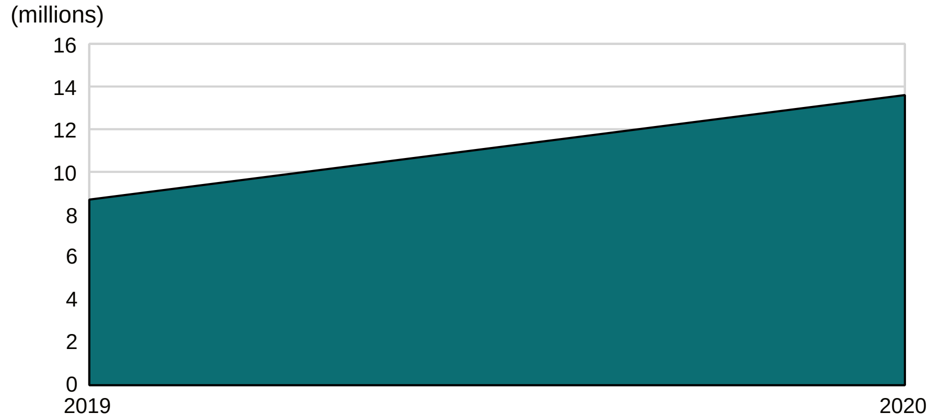
Annual Portfolio Values

	Consolidated	May 2019-Dec 2019	Jan 2020-Sep 2020
Beginning Portfolio Value	**8,073,518**	**8,073,518**	**8,657,991**
Contributions	4,000,003	1	4,000,002
Withdrawals	-50,986	-20,472	-30,513
Income Earned	277,277	155,938	121,339
Gain/Loss	1,284,811	449,006	835,804
Ending Portfolio Value	**13,584,624**	**8,657,991**	**13,584,624**
Total Return	**8.72**	**7.51**	**4.71**
Principal	6.51	5.52	3.62
Income	2.09	1.91	1.05

Allocation Over Time



Ending Market Values Over Time



Custom Benchmark

CITY OF CUPERTINO

Asset Class	Benchmark	Range	Target
Equities	MSCI AC World Free Index	50%-70%	62%
Fixed Income	BBARC Global Aggregate Index	20%-40%	29%
Real Estate	S&P Global REIT TR USD	0%-15%	6%
Commodities	S&P GSCI Commodity Index	0%-10%	2%
Cash	FTSE 3-Mo US T-Bill Index	0%-10%	1%

Selected Period Performance

	Market Value	3 Months	Year to Date (9 Months)	1 Year	Inception to Date 05/01/2019
Total Portfolio Gross of Fees	13,584,624	6.84	4.71	11.26	8.72
Total Portfolio Net of Fees	13,584,624	6.79	4.57	11.06	8.52
City of Cupertino		6.22	1.46	7.57	6.70
Total Equity	9,065,427	10.55	7.98	18.16	11.80
MSCI ACWI (Net)		8.13	1.37	10.44	7.42
U.S. Equity	6,609,818	9.01	4.66	13.43	9.40
S&P 500 Index (Gross)		8.93	5.57	15.15	11.98
S&P MidCap 400 Index		4.77	-8.62	-2.16	-2.24
S&P SmallCap 600 Index		3.17	-15.25	-8.29	-7.34
Developed Markets Equity	1,502,545	16.27	23.72	39.65	23.85
MSCI EAFE Index (Net)		4.80	-7.09	.49	.18
Emerging Markets Equity	953,063	12.92	4.76	14.88	7.38
MSCI Emerging Markets Index (Net)		9.56	-1.16	10.54	3.01
Total Fixed Income	3,853,698	.92	-3.82	-2.42	1.12
BBARC Global Aggregate Index		2.66	5.72	6.24	7.54
BBARC US Aggregate Bond Index		.62	6.79	6.98	8.84
Total Real Assets	379,316	2.27	-12.85	-13.69	-4.18
Real Estate	379,316	2.27	-12.85	-13.69	-4.18
S&P Global REIT Index (Gross)		2.63	-18.56	-17.69	-7.93
S&P GSCI Index		4.61	-33.38	-27.84	-25.20
Total Cash Equivalents	286,183	.01	.32	.72	1.14
ICE BofAML US 3-Month Treasury Bill Index		.04	.64	1.10	1.50
Pending Cash	0	.00	.00	.00	.00

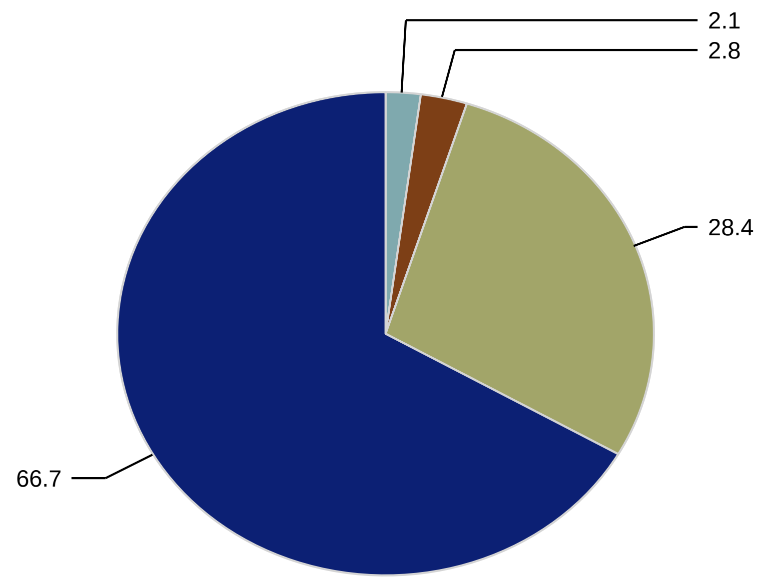
For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

Asset Allocation Analysis Graph

Market Value by Asset Class

	Market Value	% of Mkt Val
Total Equity	9,065,427	66.7
Total Fixed Income	3,853,698	28.4
Total Real Assets	379,316	2.8
Total Cash Eqv	286,183	2.1
Total	**13,584,624**	**100.0**

Market Value by Asset Class Pie Chart



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Fixed Income		**28.32**			**8,873,698**	**2,123,294**	**6,750,404**	**2.97**	**263,841**
Investment Grade		**25.32**			**7,932,391**	**1,767,299**	**6,165,092**	**2.67**	**211,512**
Mutual Funds & ETFs		**25.32**			**7,932,391**	**1,767,299**	**6,165,092**	**2.67**	**211,512**
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High Yield		**3.00**			**941,307**	**355,995**	**585,312**	**5.56**	**52,329**
Mutual Funds & ETFs		**3.00**			**941,307**	**355,995**	**585,312**	**5.56**	**52,329**
American Century High Income Fund Class...	NPHIX	3.00	9.12	103,213	941,307	355,995	585,312	5.56	52,329
Equity		**66.79**			**20,923,402**	**3,502,373**	**17,421,030**	**1.15**	**240,427**
Large Cap U.S. Equity		**32.51**			**10,183,450**	**1,911,878**	**8,271,572**	**1.17**	**119,179**
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Vanguard Equity Income Fund Admiral Sha...	VEIRX	6.97	70.73	30,892	2,184,962	403,679	1,781,282	3.16	69,074
Mid Cap U.S. Equity		**12.13**			**3,800,642**	**266,674**	**3,533,969**	**1.59**	**60,612**
Mutual Funds & ETFs		**12.13**			**3,800,642**	**266,674**	**3,533,969**	**1.59**	**60,612**
Fidelity Mid Cap Index Fund	FSMDX	12.13	22.95	165,605	3,800,642	266,674	3,533,969	1.59	60,612
Small Cap U.S. Equity		**4.06**			**1,271,672**	**120,130**	**1,151,542**	**1.30**	**16,575**
Mutual Funds & ETFs		**4.06**			**1,271,672**	**120,130**	**1,151,542**	**1.30**	**16,575**
Fidelity Small Cap Index Fund	FSSNX	4.06	19.18	66,302	1,271,672	120,130	1,151,542	1.30	16,575
Developed Markets Equity		**11.07**			**3,467,944**	**165,637**	**3,302,307**	**1.00**	**34,550**
Mutual Funds & ETFs		**11.07**			**3,467,944**	**165,637**	**3,302,307**	**1.00**	**34,550**
Vanguard International Growth Fund Admir...	VWILX	11.07	134.30	25,822	3,467,944	165,637	3,302,307	1.00	34,550
Emerging Markets Equity		**7.02**			**2,199,694**	**1,038,053**	**1,161,641**	**0.43**	**9,511**

Holdings Date: 9/30/2020

	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Mutual Funds & ETFs		**7.02**			**2,199,694**	**1,038,053**	**1,161,641**	**0.43**	**9,511**
Baron Emerging Markets Fd Inst Shs	BEXIX	7.02	15.82	139,045	2,199,694	1,038,053	1,161,641	0.43	9,511
Real Assets		**2.77**			**866,507**	**0**	**866,507**	**2.38**	**20,643**
U.S. Listed Real Estate		**2.77**			**866,507**	**0**	**866,507**	**2.38**	**20,643**
Nuveen Real Estate Securities Fund Cl I	FARCX	2.77	17.63	49,150	866,507	0	866,507	2.38	20,643

Holdings Date: 9/30/2020

Fixed Income Holdings

Account: 6746059600 | *Holdings Method: Direct* | *Report Date: 09/30/2020*

	Symbol	% of Fixed Income	Portfolio Value	Projected Annual Income	Current Yield	Yield to Maturity	Effective Duration	Effective Maturity	Avg. Quality
Total		**100.00**	**8,873,698**	**263,841**	**2.97**	**2.00**	**5.21**	**5.45**	**BBB+**
Investment Grade		**89.40**	**7,932,391**	**211,512**	**2.67**	**2.00**	**5.36**	**4.82**	**A-**
Mutual Funds & ETFs		**89.40**	**7,932,391**	**211,512**	**2.67**	**2.00**	**5.36**	**4.82**	**A-**
DoubleLine Total Return Bond Fund Class I	DBLTX	17.20	1,524,830	53,809	3.53	2.00	3.19	4.82	BB
Fidelity U.S. Bond Index Fund	FXNAX	55.00	4,881,408	109,773	2.25	NA	5.60	NA	AA
PGIM Total Return Bond Fund Class R6	PTRQX	17.20	1,526,153	47,930	3.14	NA	6.76	NA	BB
High Yield		**10.60**	**941,307**	**52,329**	**5.56**	**NA**	**3.98**	**6.46**	**B**
Mutual Funds & ETFs		**10.60**	**941,307**	**52,329**	**5.56**	**NA**	**3.98**	**6.46**	**B**
American Century High Income Fund Class Y	NPHIX	10.60	941,307	52,329	5.56	NA	3.98	6.46	B

Holdings Date: 9/30/2020

ECONOMIC OUTLOOK

This informational material is provided by U.S. Bank Asset Management Group who provides analysis and research to U.S. Bank and its affiliate U.S. Bancorp Investments. Contact your wealth professional for more details.

Fourth Quarter 2020

Investment outlook

At a glance

The U.S. stock market rallied to all-time highs as the global economy reopened amid the global coronavirus pandemic. Risks including the upcoming U.S. Presidential election may foster volatility, though the economic recovery should continue to progress.

COVID-19 deaths have surpassed 1 million worldwide, highlighting its magnitude in 2020. Our hearts are with all of those impacted by the virus, especially those who have fallen ill and the healthcare industry professionals working to care for them.

COVID-19 is one of two themes dominating our fourth quarter outlook, along with election outcomes. Both feature uncertainty and forecasting difficulties. We retain a “glass half full” outlook despite these significant catalysts, viewing an eventual medical solution as the driving force behind our positive outcome. Supportive central bank policy, gradual economic recovery in key geographies, and pent up consumer and business demand could unlock values in asset categories subdued by current challenges.

That said, several categories have already discounted positive future outcomes ahead of a full economic recovery. Equity market sectors that have drawn interest due to pandemic business model resilience along with bond categories aided by stimulus could be vulnerable should valuations come into question. An adverse election outcome, medical progress setbacks and stagnant economic growth could all anchor asset prices. While it is cliched for an advisory firm to promote diversification, the upcoming quarter will likely have several ebbs and flows that a well-constructed portfolio in concert with your unique financial circumstances can help endure.

— Eric Freedman, Chief Investment Officer, U.S. Bank Wealth Management

[1] Important disclosures provided on page 9.

Global economy

Quick take: Reopenings have led to a global economic recovery, but growth is flattening into year-end. Half of U.S. jobs have returned, though more progress likely requires additional stimulus. Recoveries outside the United States are uneven, with China leading the recovery.

Our view: High frequency economic data are rebounding. However, a full recovery of economic activity lost since the end of 2019 likely requires a coronavirus vaccine and therapeutic. Our expectation is for modest global economic growth well into 2021 as the global economy heals from business impairment and vast unemployment.

- **The global recession yielded to recovery as the world reopened** after shutdowns combating the coronavirus pandemic. The success of the return to school and the U.S. election season uncertainty are key swing factors for the pace of the gradual recovery in coming quarters.
- **The U.S. recovery is well underway, with half of the 21 million people who lost jobs in March and April back at work** by the end of August. The $2.2 trillion Coronavirus Aid, Relief and Economic Security (CARES) Act provided support to unemployed consumers and business funding in a time of economic shutdown. Looking through year-end into 2021, the swing factor on the magnitude of economic growth is likely to be around a medical solution to the coronavirus and the pace of reopening around the country.
- **Consumer price inflation has been accelerating since May**, with a year-over-year increase of 1 percent through July. Stimulus measures, including the CARES Act and Federal Reserve (Fed) policies, are working their way through the economy. Price inflation is likely to accelerate, perhaps nearing the Fed’s inflation target of 2 percent late next year.
- **Economies outside the United States have suffered, as well**. Recessions plagued major economies such as China and Europe in the first and second quarter. China was among the first to reopen and lead the recovery. Trends are likely to be more modest in Europe, since their economic reopening remains sensitive to coronavirus infections.

Equity markets

Quick take: Domestic equities rallied to all-time highs in the third quarter, despite lingering COVID-19 related economic, political and medical uncertainties. We expect volatility to remain elevated into the new year following the national election outcomes, Supreme Court vacancy discussions and third quarter results, and for as long as the virus's duration and impact remain unknown.

Our view: We are maintaining our "glass half-full" orientation heading into year-end. Benign inflation and low interest rates, supportive monetary and fiscal policy, ongoing medical progress toward a virus therapy and cure, and the strong secular growth trends in information technology and e-commerce are among factors supporting our outlook.

- **The fundamental backdrop remains supportive for equities.** Along with an improving economy, benign inflation and low interest rates provide valuation support. Inflation is currently trending above the yields of the 10- and 30-year Treasury bond, meaning real interest rates, or interest rates less the rate of inflation, are negative, which increases the value of companies' future cash flows.
- **Investor angst is rising.** November's election outcomes will impact sectors and individual companies to varying degrees. While COVID-19 vaccine progress is encouraging, vaccine unknowns, such as development speed, efficacy, dosage, immunity duration, safety profile, cost and administration protocol remain open questions. We expect third quarter results to show continued improvement, evidence of global economic healing.
- **Sentiment is generally positive, but market breadth is narrow.** The market's rally off of the March lows has been uneven, with Information Technology, Consumer Discretionary and Communication Services representing the three best-performing sectors year-to-date and by a wide margin, advancing between 7.6 percent and 27.5 percent, respectively, as of September 30. Energy and Financials have been the worst-performing sectors, retreating 50.2 percent and 21.7, respectively, percent over the same period.
- **Information Technology has become the new defensive sector and e-commerce is gaining in popularity.** Technology is about change and COVID-19 has accelerated the need for 24/7 connectivity, mobility and all things internet-related. Cloud computing, artificial intelligence, machine learning and e-commerce are fueling the race toward digitalization and the overall performance of the Information Technology sector. We see these trends continuing into 2021 and beyond. We consider best-in-class e-commerce operators to be those with an internet presence that also promote in-store traffic and rank high on experiential factors.
- **U.S. equities' dividend profile is compelling.** Equities remain an attractive alternative for investors looking for income. Roughly 75 percent of S&P 500 companies offer dividends yielding above the 10-year Treasury yield of 0.69 percent as of September 30; approximately 59 percent offer dividends yielding above the 30-year Treasury yield of 1.47 percent.

Foreign markets

Quick take: China's ongoing economic recovery supports a balanced foreign emerging market equities' risk/reward outlook through year-end and into 2021. Meanwhile, virus resurgence is dampening foreign developed equities' near-term prospects, and challenging demographics remain longer-term growth headwinds for the region.

Our view: Quarterly foreign developed equity performance was positive but modest compared to the United States, reflecting the region's shallower recovery from a deep economic contraction. China, South Korea and Taiwan — among the earliest impacted by COVID-19 — represent nearly two-thirds of the MSCI Emerging Market Index, and these countries' continued recovery remains a key contributor to our balanced outlook.

- **The economic backdrop is generally positive for foreign equities**. Restrained inflation and low interest rates provide valuation support, while central banks remain committed to providing aggressive monetary stimulus. The "phase one" trade deal between the United States and China continues to move forward, despite heightened rhetoric and recent U.S. policy actions against select Chinese technology firms.
- **The virus's path and impact continue to vary across emerging economies**. The virus hit China and South Korea earliest; despite a recent flare-up in South Korea, it appears mostly contained as those economies continue to reopen. Meanwhile, the virus continues to spread, with India (80,000 average new daily cases) and Brazil (30,000) accounting for nearly one-half of all new global cases.
- **Ongoing dollar weakness continues to benefit U.S. investors in foreign equities** in two ways. First, it decreases the dollar-denominated costs for borrowers, supporting their domestic growth prospects and aiding corporate profitability. Second, a falling dollar increases U.S. investors' foreign holdings values.
- **This quarter's strong price performance has driven foreign developed and foreign emerging equity market valuation well above historical averages**, which has opened a wedge or gap between economic and corporate fundamentals and capital market performance that investors must resolve through time.
- **China's economy, the earliest impacted by COVID-19, continues to recover**. Our proprietary China economic Health Check, a statistical measure of economic data, ended the third quarter at the year's highest reading, substantially recovering from March's all-time low. Taiwan's economy has also rebounded to a 2020 high, and together with South Korea these countries' ongoing recovery remains key to our balanced emerging markets equity outlook.

Bond markets

Quick take: Most bond market segments posted positive returns in the third quarter, with riskier and longer-term bonds performing best. Central banks continue delivering policy support while investors await additional fiscal stimulus.

Our view: We see opportunities with high-quality corporate and municipal bonds, where incremental yield over Treasuries remains near normal historical levels. Riskier high yield bonds present compelling current income, but the potentially volatile path ahead supports normal allocations.

- **Treasury bond yields should remain low for an extended period.** The Fed indicated its policy rate will remain near zero for years, and its asset purchase programs will continue for some time. Robust investor demand countered record Treasury issuance this year so far. Treasury bonds provide important portfolio diversification, but yields are near historical lows, placing greater importance on other bond categories to enhance current yield.
- **We see opportunities in high-quality corporate bonds.** It appears large, high-quality companies will be able to bridge the gap created by weaker cash flows from operations with increased issuance of inexpensive debt. High debt relative to assets is a risk over the longer term, but material incremental yield over Treasuries presents value. High current income offered by riskier high yield bonds provides a degree of cushion against heightened volatility and ongoing economic uncertainty.
- **Municipal bonds continue to provide a valuable source of nontaxable income.** Incremental tax-equivalent yield, near-normal valuations, Fed municipal bond buying programs and likely fiscal policy support the high-quality municipal bond market. Budget gaps remain, indicating some volatility may persist, though reductions in state and local government headcount and some government services reduces bondholder risks in the near term.
- **Higher incomes of high yield municipal bonds come with commensurate risks.** Lower-quality high yield municipal bonds represent a host of esoteric issuers and minimal exposure to traditional state and local government borrowers. Around half of all defaults and other incidents of distress so far this year occurred in continuing care, assisted living and hospital bonds. Higher current income offers some cushion against likely additional distress among weaker issuers.

Real assets

Quick take: Most real asset sectors were flat in the third quarter as they waited for more clarity on forward economic growth potential. Additionally, large shifts in work arrangements and living preferences pressured commercial real estate revenues. Crude oil markets still appear oversupplied holding prices steady.

Our view: Shifting consumer and business behaviors will continue to roil the real estate industry. Revenue growth assumptions implied by market prices will be difficult to achieve in large portions of the commercial real estate sector if economic growth disappoints. Commodities appear better poised to perform in a slow growth environment with rising inflation expectations.

- **Rent collections in some sectors of the real estate market are down significantly and defaults are increasing**, changing ownership of properties back to lenders. Forced sales by lenders will reset the market price of properties lower. Forward revenue declines may exceed market expectations. Real estate investment trusts face dividend cuts and suspensions, which would reduce cash flow to investors.
- **Work-from-home arrangements look to become more permanent for many employees**. Additionally, urban unrest may change demand for housing in many major cities. These two shifts are negatively affecting the office and apartment market in the urban core of most large cities. Revenue projections will likely decline for these sectors, pressuring prices and future incomes.
- **Crude oil prices essentially flatlined in the third quarter.** The OPEC+ agreement to reduce production cuts, coupled with the Saudi decision to reduce prices on their futures sales, are headwinds for crude prices. (OPEC+ is the Organization of the Petroleum Exporting Countries plus a group of 10 additional oil-producing nations, including Russia.) Higher demand is required to correct the supply imbalance in global crude oil markets and to support prices in the energy sector.
- **The declining dollar, low nominal interest rates and increasing inflation expectations provide price support for precious metals, and commodities in general**. Additionally, global central banks appear poised to continue their stimulus programs. In this environment, we expect gold to remain attractive, with more upside to prices.

Alternative Investments

Quick take: Hedge funds focusing on the Technology and Healthcare sectors continued their upward trajectory through the third quarter. Both sectors present attractive acquisition targets for larger companies and special purpose acquisition companies (SPACs — which are formed specifically to raise capital for the purpose of acquiring existing companies). Through July more than 50 SPACs formed in the United States, many originated by hedge funds, and raised more than $21 billion for the purpose of acquiring companies.

Our view: Historically, we typically see hedge funds reduce risk in the fourth quarter as year-end approaches. We believe this will occur again this year, considering the various headwinds. However, we expect hedge funds to place their focus on stocks in Technology and Consumer sectors viewed most likely to benefit from the extension of distance learning, working remotely and people relocating to the suburbs from the cities. Meanwhile, we see less focus on the Energy, Industrial and Materials sectors, which require more visibility into the economic recovery and the November election outcomes.

- **Technology stocks in e-commerce, cloud computing and cyber security benefited** from distance learning and remote working. Healthcare — specifically biotech stocks — is experiencing price appreciation due to speculation about a COVID-19 vaccine, the development of COVID tests with quicker results and the federal government's fast-tracking of drugs that treat life-threatening conditions.
- **Market and political uncertainty benefit hedge funds** that actively trade their portfolios in reaction to political and economic news and market information that can quickly sway the direction of capital markets.
- **Uncorrelated strategies like litigation finance and insurance linked securities** provide returns with little to zero correlation to public markets, which can benefit a client's portfolio during times of market volatility.

Private Markets

Quick take: Search for growth in public markets and demand for new public issues allows private market investors to maximize returns via initial public offerings (IPO). Active business management capability of investment managers adds value, despite economic slowdowns, which can lead to stronger outperformance.

Our view: Private markets present opportunities for investing across different economic environments. Longer-term innovation cycles in the Technology and Healthcare sectors remain intact for private market investors. Private loans with limited protections increased substantially prior to the economic slowdown, and the current environment will present opportunity for direct lending at attractive rates of return with investor-friendly terms.

- **Favorable IPO markets allow private market investment managers to enhance returns** by taking privately held high-growth software companies public.
- **In a slow business environment, active management activities** such as consolidation of fragmented industries, operational changes, cost rationalizations and new approaches to enable growth are important tools for private equity investors to deliver strong returns.
- **The digitization of businesses and consumers** and innovations in health care are long-term trends that can continue to benefit private market investors.

This commentary was prepared September 2020 and represents the opinion of U.S. Bank Wealth Management. The views are subject to change at any time based on market or other conditions and are not intended to be a forecast of future events or guarantee of future results and is not intended to provide specific advice or to be construed as an offering of securities or recommendation to invest. Not for use as a primary basis of investment decisions. Not to be construed to meet the needs of any particular investor. Not a representation or solicitation or an offer to sell/buy any security. Investors should consult with their investment professional for advice concerning their particular situation. The factual information provided has been obtained from sources believed to be reliable but is not guaranteed as to accuracy or completeness. Any organizations mentioned in this commentary are not affiliated or associated with U.S. Bank or U.S. Bancorp Investments in any way.

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Past performance is no guarantee of future results. All performance data, while deemed obtained from reliable sources, are not guaranteed for accuracy. Indexes shown are unmanaged and are not available for investment. The **S&P 500 Index** is an unmanaged, capitalization-weighted index of 500 widely traded stocks that are considered to represent the performance of the stock market in general. The **S&P 500 Total Return Index** includes the same stocks but include the reinvestment of dividends. The **MSCI EAFE Index** includes approximately 1,000 companies representing the stock markets of 21 countries in Europe, Australasia and the Far East (EAFE). The **MSCI Emerging Markets Index** is designed to measure equity market performance in global emerging markets.

Equity securities are subject to stock market fluctuations that occur in response to economic and business developments. **International investing** involves special risks, including foreign taxation, currency risks, risks associated with possible difference in financial standards and other risks associated with future political and economic developments. Investing in **emerging markets** may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility. Investing in **fixed income securities** are subject to various risks, including changes in interest rates, credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications, and other factors. Investment in debt securities typically decrease in value when interest rates rise. The risk is usually greater for longer-term debt securities. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in **high yield bonds** offer the potential for high current income and attractive total return but involve certain risks. Changes in economic conditions or other circumstances may adversely affect a bond issuer's ability to make principal and interest payments. The **municipal bond market** is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities. Interest rate increases can cause the price of a bond to decrease. Income on municipal bonds is free from federal taxes but may be subject to the federal alternative minimum tax (AMT), state and local taxes. There are special risks associated with investments in **real assets** such as commodities and real estate securities. For commodities, risks may include market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates and risks related to renting properties (such as rental defaults). **Hedge funds** are speculative and involve a high degree of risk. An investment in a hedge fund involves a substantially more complicated set of risk factors than traditional investments in stocks or bonds, including the risks of using derivatives, leverage and short sales, which can magnify potential losses or gains. Restrictions exist on the ability to redeem or transfer interests in a fund. **Private capital investment funds** are speculative and involve a higher degree of risk. These investments usually involve a substantially more complicated set of investment strategies than traditional investments in stocks or bonds, including the risks of using derivatives, leverage, and short sales, which can magnify potential losses or gains. Always refer to a Fund's most current offering documents for a more thorough discussion of risks and other specific characteristics associated with investing in private capital and impact investment funds. Reinsurance allocations made to **insurance-linked securities (ILS)** are financial instruments whose performance is determined by insurance loss events primarily driven by weather-related and other natural catastrophes (such as hurricanes and earthquakes). These events are typically low-frequency but high-severity occurrences. **Private equity investments** provide investors and funds the potential to invest directly into private companies or participate in buyouts of public companies that result in a delisting of the public equity. Investors considering an investment in private equity must be fully aware that these investments are illiquid by nature, typically represent a long-term binding commitment and are not readily marketable. The valuation procedures for these holdings are often subjective in nature. **Private debt investments** may be either direct or indirect and are subject to significant risks, including the possibility of default, limited liquidity and the infrequent availability of independent credit ratings for private companies.

DISCLOSURES, DEFINITIONS, DESCRIPTIONS

Important disclosures (page 1 of 4)

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EQUAL HOUSING LENDER

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For use in one-on-one meetings/presentations.

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U.S. Bank and its representatives do not provide tax or legal advice. Your tax and financial situation is unique. You should consult your tax and/or legal advisor for advice and information concerning your particular situation.

Past performance is no guarantee of future results. All performance data, while obtained from sources deemed to be reliable, are not guaranteed for accuracy. Indexes shown are unmanaged and are not available for direct investment, nor are they subject to fees and expenses.

Performance reports included may show performance results gross of fees and expenses. If fees and expenses were included, the performance would be lower. If you have any questions, please speak with your relationship manager for additional information.

Based on our strategic approach to creating diversified portfolios, guidelines are in place concerning the construction of portfolios and how investments should be allocated to specific asset classes based on client goals, objectives and tolerance for risk. Not all recommended asset classes will be suitable for every portfolio. **Diversification and asset allocation do not guarantee returns or protect against losses.**

Important disclosures (page 2 of 4)

Equity securities are subject to stock market fluctuations that occur in response to economic and business developments. **Stocks of small-capitalization companies** involve substantial risk. These stocks historically have experienced greater price volatility than stocks of larger companies and may be expected to do so in the future. **Stocks of mid-capitalization companies** can be expected to be slightly less volatile than those of small-capitalization companies, but still involve substantial risk and may be subject to more abrupt or erratic movements than large-capitalization companies. The value of **large-capitalization stocks** will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions. **Growth investments** focus on stocks of companies whose earnings/profitability are accelerating in the short term or have grown consistently over the long term. Such investments may provide minimal dividends, which could otherwise cushion stock prices in a market decline. Stock value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments. **Value investments** focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that their intrinsic values may never be realized by the market, or such stocks may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

International investing involves special risks, including foreign taxation, currency risks, risks associated with possible differences in financial standards and other risks associated with future political and economic developments. Investing in **emerging markets** may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility.

Investments in **real estate securities** can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates and risks related to renting properties (such as rental defaults). There are special risks associated with an investment in **commodities**, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

Investments in **fixed income securities** are subject to various risks, including changes in interest rates, credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Investment in fixed income securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term securities. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in **high yield bonds** offer the potential for high current income and attractive total return, but involve certain risks. Changes in economic conditions or other circumstances may adversely affect a bond issuer's ability to make principal and interest payments.

Important disclosures (page 3 of 4)

The **municipal bond** market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issues of municipal securities. Interest rate increases can cause the price of a bond to decrease. Income on municipal bonds is free from federal taxes, but may be subject to the federal alternative minimum tax (AMT), state and local taxes. **Treasury Inflation-Protected Securities (TIPS)** offer a lower return compared to other similar investments and the principal value may increase or decrease with the rate of inflation. Gains in principal are taxable in that year, even though not paid out until maturity.

Non-financial **specialty assets**, such as real estate, farm, ranch and timber properties, oil, gas and mineral interests or closely-held business interests are complex and involve unique risks specific to each asset type, including the total loss of value. Special risk considerations may include natural events or disasters, complex tax considerations and lack of liquidity. Specialty assets may not be suitable for all investors.

Alternative investments very often use speculative investment and trading strategies. There is no guarantee that the investment program will be successful. Alternative investments are designed only for investors who are able to tolerate the full loss of an investment. These products are not suitable for every investor even if the investor does meet the financial requirements. It is important to consult with your investment professional to determine how these investments might fit your asset allocation, risk profile and tax situation. **Hedge funds** are speculative and involve a high degree of risk. An investment in a hedge fund involves a substantially more complicated set of risk factors than traditional investments in stocks or bonds, including the risks of using derivatives, leverage and short sales, which can magnify potential losses or gains. Restrictions exist on the ability to redeem or transfer interests in a fund. **Exchange-traded funds (ETFs)** are baskets of securities that are traded on an exchange like individual stocks at negotiated prices and are not individually redeemable. ETFs are designed to generally track a market index and shares may trade at a premium or a discount to the net asset value of the underlying securities. **Private equity** investments provide investors and funds the potential to invest directly into private companies or participate in buyouts of public companies that result in a delisting of the public equity. Investors considering an investment in private equity must be fully aware that these investments are illiquid by nature, typically represent a long-term binding commitment and are not readily marketable. The valuation procedures for these holdings are often subjective in nature. **Private debt** investments may be either direct or indirect and are subject to significant risks, including the possibility of default, limited liquidity and the infrequent availability of independent credit ratings for private companies. **Structured products** are subject to market risk and/or principal loss if sold prior to maturity or if the issuer defaults on the security. Investors should request and review copies of Structured Products Pricing Supplements and Prospectuses prior to approving or directing an investment in these securities. **Insurance-linked securities (ILS)** are financial instruments whose performance is determined by insurance loss events primarily driven by weather-related and other natural catastrophes (such as hurricanes and earthquakes). These events are typically low-frequency but high-severity occurrences. In exchange for higher potential yields, investors assume the risk of a disaster during the life of their bonds, with their principal used to cover damage caused if the catastrophe is severe enough.

Important disclosures (page 4 of 4)

Mutual fund investing involves risk and principal loss is possible. Investing in certain funds involves special risks, such as those related to investments in small- and mid-capitalization stocks, foreign, debt and high-yield securities and funds that focus their investments in a particular industry. Please refer to the fund prospectus for additional details pertaining to these risks. An investment in **money market funds** is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although these funds seek to preserve the value of an investment at $1.00 per share, it is possible to lose money by investing in these funds.

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Definitions of investment report/statement terms (page 1 of 4)

Accredited Investor: Private placement securities generally require that investors be accredited due to the additional risks and speculative nature of the securities. For natural persons, the criteria is met by a net worth of more than $1 million (excluding primary residence) or an income of more than $200,000 individually ($300,000 jointly) for the two most recent years and a reasonable expectation for the same in the current year. For other entities, such as corporations, partnerships, trusts and employee benefit plans, the criteria is met with at least $5 million in assets. See full definition in Rule 501 of Regulation D under the Securities Act of 1933.

Alpha: A measure of risk-adjusted performance. A statistic measuring that portion of a stock, fund or composite's total return attributable to specific or non-market risk. Alpha measures non-market return and indicates how much value has been added or lost. A positive Alpha indicates the fund or composite has performed better than its Beta would predict (i.e., the manager has added value above the benchmark). A negative Alpha indicates a fund or composite has underperformed given the composite's Beta.

Alternative Investments: As used by U.S. Bank, an investment considered to be outside of the traditional asset classes of long-only stocks, bonds and cash. Examples of alternative investments include hedge funds, private equity, options and financial derivatives.

Annualized Excess Return: Shows the difference between the annualized linked returns of a portfolio and the model benchmark. Performance reports provided annualize only periods greater than one year.

Annualized or Annual Rate of Return: Represents the average annual change in the value of an investment over the periods indicated.

Batting Average: Shows how consistently the portfolio return met or beat the market.

Beta: A measure of your portfolio's risk relative to a benchmark. A portfolio with a beta of 1.5, for example, would be expected to return roughly 1.5 times the benchmark's return. A high Beta indicates a riskier portfolio.

Bond Credit Rating: A grade given to bonds by a private independent rating service that indicates their credit quality. Ratings are the opinion of Standard & Poor's or other agencies as noted and not the opinion of U.S. Bank.

Consumer Price Index (CPI): A measure of the average change in prices over time in a market basket of goods and services and is one of the most frequently used statistics for identifying periods of inflation and deflation.

Convexity to Stated Maturity: A measure of the curvature in the relationship between bond prices and bond yields that demonstrates how the duration of a bond changes as the interest rate changes. Convexity is used as a risk-management tool and helps to measure and manage the amount of market risk to which a portfolio of bonds is exposed. This version of convexity measures the rate change in duration of a bond as the yield to (stated) maturity changes.

Definitions of investment report/statement terms (page 2 of 4)

Cumulative Excess Return: Shows the difference between the annualized linked returns of a portfolio and the model benchmark. Performance reports provided use unannualized returns.

Downside Capture: The downside capture ratio reflects how a portfolio compares to a benchmark during periods when the benchmark is down. A downside capture ratio of 0.80 (or 80 percent) means the portfolio has historically declined only 80 percent as much as the benchmark during down markets.

Downside Deviation: The deviation of returns that fall below a minimum acceptable return (MAR). Although the numerator includes only returns below the MAR, the denominator includes all returns in the performance period. This risk statistic is similar to the downside standard deviation except the sum is restricted to returns less than the MAR instead of the mean.

Downside Standard Deviation: The deviation of returns that fall below the mean return. Although the numerator includes only returns below the mean, the denominator includes all returns in the performance period. This risk statistic is similar to the downside deviation except the sum is restricted to returns less than the mean instead of the minimum acceptable return (MAR).

Effective Maturity: The date of a bond's most likely redemption, given current market conditions, taking into consideration the optional and mandatory calls, the optional, mandatory and recurring puts, and the stated maturity.

Information Ratio: The information ratio compares the average excess return of the portfolio over its associated benchmark divided by the tracking error.

M-Squared: The hypothetical return of the portfolio after its risk has been adjusted to match a benchmark.

Market Value: Publicly traded assets are valued using market quotations or valuation methods from financial industry services believed by us to be reliable. Assets, that are not publicly traded, may be reflected at values from other external sources or special valuations prepared by us. Assets for which a current value is not available may be reflected as not valued, at par value, or at a nominal value. Values shown do not necessarily reflect prices at which assets could have been bought or sold. Values are updated based on internal policy and may be updated less frequently than statement generation.

Market Value Over Time: Many factors can impact the portfolio value over time, such as contributions to the account, distributions from the account, the investment of dividends and interest, the deduction of fees and expenses, and market performance.

Modified Duration to Effective Maturity: A formula that expresses the measurable change in the value of a security in response to a change in interest rates. This version of Modified Duration takes into consideration a "horizon date/price" that is, given current conditions, the most likely redemption date/price using the set of calls/puts, as well as stated maturity.

Definitions of investment report/statement terms (page 3 of 4)

Modified Duration to Stated Maturity: A formula that expresses the measurable change in the value of a security in response to a change in interest rates. This version of Modified Duration uses stated maturity as the "horizon date/price" and ignores any potential call/put/pre-refunding, even if they are mandatory.

Price/Earnings Ratio (P/E): The P/E ratio of a company is calculated by dividing the price of the company's stock by its trailing 12-month earnings per share. A high P/E usually indicates that the market is paying a premium for current earnings because it believes in the firm's ability to grow its earnings. A low P/E indicates the market has less confidence that the company's earnings will increase. Within a portfolio, P/E is the weighted average of the price/earnings ratios of the stocks in the portfolio.

Qualified Purchaser: Some private placement securities require that investors be Qualified Purchasers in addition to being Accredited Investors. For natural persons, the criteria is generally met when the client (individually or jointly) owns at least $5 million in investments. For other entities, such as corporations, partnerships, trusts and employee benefit plans, the criteria is met with at least $25 million in investments though there are other eligibility tests that may apply. See full definition in Section 2(a)(51) of the Investment Company Act of 1940.

R-Squared: Measures the portion of the risk in your portfolio that can be attributed to the risk in the benchmark.

Realized and Unrealized Gains/Losses: Are calculated for individual tax lots based on the records we have available. Some data may be incomplete or differ from what you are required to report on your tax return. Some data used in these calculations may have been obtained from outside sources and cannot be verified by U.S. Bank. The data is intended for informational purposes only and should not be used for tax reporting purposes. Please consult with your tax or legal advisor for questions concerning your personal tax or financial situation.

Residual Risk: The amount of risk specific to the assets in a portfolio distinct from the market, represented by a benchmark.

Return: An indication of the past performance of your portfolio.

Sharpe Ratio: Measures of risk-adjusted return that calculates the return per unit of risk, where risk is the Standard Deviation of your portfolio. A high Sharpe ratio indicates that the portfolio is benefiting from taking risk.

Sortino Ratio: Intended to differentiate between good and bad volatility. Similar to the Sharpe ratio, except it uses downside deviation for the denominator instead of standard deviation, the use of which doesn't discriminate between up and down volatility.

Spread: The difference between the yields of two bonds with differing credit ratings (most often, a corporate bond with a certain amount of risk is compared to a standard traditionally lower risk Treasury bond). The bond spread will show the additional yield that could be earned from a bond which has a higher risk.

Definitions of investment report/statement terms (page 4 of 4)

Standard Deviation: A measure of the volatility and risk of your portfolio. A low standard deviation indicates a portfolio with less volatile returns and therefore less inherent risk.

Time-weighted Return: The method used to calculate performance. Time-weighted return calculates period by period returns that negates the effect of external cash flows. Returns for periods of greater than one year are reported as an annualized (annual) rate of return. Returns of less than one year are reported on a cumulative return basis. Cumulative return is the aggregate amount an investment has gained or lost over time, independent of the period involved.

Tracking Error: A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. This is often in the context of a hedge or mutual fund that did not work as effectively as intended, creating an unexpected profit or loss instead.

Traditional Investments: As used by U.S. Bank, an investment made in equity, fixed income or cash securities, mutual funds or exchange-traded funds (ETFs) where the investor buys at a price with the goal that the investment will go up in value.

Top 10 Holdings: The 10 assets with the highest market values in the account.

Total Portfolio Gross of Fees: Represents all assets included in the calculation of the portfolio, before the deduction of trust and asset management fees, and is inclusive of all applicable third party security fees and expenses. Details of those fees and expenses are provided in the security’s prospectus or offering documents.

Total Return: The rate of return that includes the realized and unrealized gains and losses plus income for the measurement period.

Treynor Ratio: Measures the performance of a sector relative to risk by dividing the return of the sector in excess of the risk-free return by the sector's Beta. The higher the Treynor ratio, the better the return relative to risk.

Turnover Percent: Indicates how frequently asset are bought and sold within a portfolio.

Turnover Ratio: The percentage of a mutual fund’s or other investment vehicle's holdings that have been "turned over" or replaced with other holdings in a given year.

Upside Capture: The upside capture ratio reflects how a portfolio compares to the selected model benchmark during periods when the benchmark is up. An upside capture ratio of 1.15 (or 115 percent) means the portfolio has historically beat the benchmark by 15 percent during up markets.

Yield: The annual rate of return on an investment, expressed as a percentage. For bonds, it is the coupon rate divided by the market price. For stocks, it is the annual dividend divided by the market price.

Frequently used investment indexes (page 1 of 5)

Bloomberg Barclays 1-3 year U.S. Treasury Index: Measures the performance of the U.S. government bond market and includes public obligations of the U.S. Treasury with a maturity between one year and up to (but not including) three years.

Bloomberg Barclays 1-5 year U.S. Treasury Index: Includes all publicly issued, U.S. Treasury securities that have a remaining maturity of greater than or equal to one year and less than five years, are rated investment grade and have $250 million or more of outstanding face value.

The Bloomberg Barclays 1-5 year Municipal Index: Measures the performance of municipal bonds with time to maturity of more than one year and less than five years.

Bloomberg Barclays 7-year Municipal Index: Includes municipal bonds with a minimum credit rating of Baa that have been issued as part of a transaction of at least $50 million, have a maturity value of at least $5 million and a maturity range of four to six years.

Bloomberg Barclays Global Aggregate Index ex-U.S. Index: Measure of global investment grade debt from 24 local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Global Treasury ex-U.S. Index: Includes government bonds issued by investment-grade counties outside the United States, in local currencies, that have a remaining maturity of one year or more and are rated investment grade.

Bloomberg Barclays High Yield Municipal Bond Index: An unmanaged index made up of bonds that are non-investment grade, unrated or below Ba1 bonds.

Bloomberg Barclays Intermediate Aggregate Index: Consists of one- to 10-year governments, one- to 10-year corporate bonds, all mortgages and all asset-backed securities within the Aggregate Index.

Bloomberg Barclays Mortgage-Backed Securities Index: Covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid adjustable-rate mortgages) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Bloomberg Barclays U.S. Aggregate Bond Index: Measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities.

Bloomberg Barclays U.S. Corporate Bond Index: Measures the investment grade, fixed-rate, taxable corporate bond market and includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg Barclays U.S. Corporate High Yield Bond Index: Measures the U.S. dollar denominated, high yield, fixed-rate corporate bond market.

Frequently used investment indexes (page 2 of 5)

Bloomberg Barclays U.S. Municipal Bond Index: Measures the investment grade, U.S. dollar-denominated, fixed tax exempt bond market. The index includes state and local general obligation, revenue, insured and pre-refunded bonds.

Bloomberg Barclays U.S. Treasury Index: Measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.

Bloomberg Barclays U.S. Treasury Inflation-Protected Securities (TIPS) Index: An unmanaged index includes all publicly issued, U.S. TIPS that have at least one year remaining to maturity, are rated investment grade, and have $250 million or more of outstanding face value.

Cambridge U.S. Private Equity Index: This index is based on returns data compiled for U.S. private equity funds (including buyout, growth equity and mezzanine funds) that represent the majority of institutional capital raised by private equity partnerships formed since 1986. Returns may be delayed by up to six months. Quarterly performance is prorated based on the cube root for the months of the quarter.

Citigroup 3-Month Treasury Bills: An unmanaged index and represents monthly return equivalents of yield averages of the last three-month Treasury Bill issues.

Citigroup 6-Month Treasury Bills: An unmanaged index and represents monthly return equivalents of yield averages of the last six-month Treasury Bill issues.

Credit Suisse Leverage Loan Index: Represents tradable, senior-secured, U.S. dollar-denominated non-investment grade loans.

Dow Jones Industrial Average (DJIA): The price-weighted average of 30 significant U.S. stocks traded on the New York Stock Exchange and NASDAQ. The DJIA is the oldest and single most watched index in the world.

Dow Jones Select REIT Index: Measures the performance of publicly traded REITs and REIT-like securities in the U.S. and is a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

Eurekahedge ILS Advisers Index: Designed to provide a broad measure of the performance of underlying hedge fund managers who explicitly allocate to insurance-linked investments and have at least 70% of their portfolio invested in non-life risk.

HFRI Indices: The Hedge Fund Research, Inc. (HFRI) indexes are a series of benchmarks designed to reflect hedge fund industry performance by constructing composites of constituent funds, as reported by the hedge fund managers listed within the HFR Database.

HFRI Equity Hedge Total Index: Uses the HFR (Hedge Fund Research) database and consists only of equity hedge funds with a minimum of $50 million assets under management or a 12-month track record and that reported assets in U.S. dollars.

Frequently used investment indexes (page 3 of 5)

HFRI Relative Value Fixed Income Corporate Index: Uses the HFR (Hedge Fund Research) database and consists of only relative value fixed income corporate funds with a minimum of $50 million assets under management or a 12-month track record and that reported assets in U.S. dollars.

ICE BofAML 1-3 Year Corporate Index: Tracks U.S. dollar-denominated investment grade public debt issued in the U.S. bond market with maturities of one to three years.

ICE BofAML 1-5 Year Corporate and Government Index: Tracks the performance of short-term U.S. investment grade government and corporate securities with maturities between one and five years.

ICE BofAML U.S. 7-10 Year Index: Tracks the performance of U.S. dollar denominated investment grade rated corporate debt publicly issued in the U.S. domestic market and includes all securities with a remaining term to maturity of greater than or equal to seven years and less than 10 years.

ICE BofAML Global Broad Market Index: Tracks the performance of investment grade public debt issued in the major domestic and Eurobond markets, including global bonds.

ICE BofAML U.S. High Yield Master II Index: Commonly used benchmark index for high yield corporate bonds and measures the broad high yield market.

J.P. Morgan Emerging Markets Bond Index Global (EMBI Global): Tracks total returns for traded external debt instruments in the emerging markets.

London Interbank Offered Rate (LIBOR) 3-months: The interest rate offered by a specific group of London banks for U.S. dollar deposits with a three-month maturity.

London Interbank Offered Rate (LIBOR) 9-months: The interest rate offered by a specific group of London banks for U.S. dollar deposits with a nine-month maturity.

MSCI All Country World Index (ACWI): Designed to measure the equity market performance of developed and emerging markets.

MSCI All County World ex-U.S. Index (ACWI, excluding United States): Tracks the performance of stocks representing developed and emerging markets around the world that collectively comprise most foreign stock markets. U.S. stocks are excluded from the index.

MSCI EAFE Index: Includes approximately 1,000 companies representing the stock markets of 21 counties in Europe, Australasia and the Far East.

Frequently used investment indexes (page 4 of 5)

MSCI Emerging Markets (EM) Index: Designed to measure equity market performance in global emerging markets.

MSCI World Index: Tracks equity market performance of developed markets through individual country indices.

NAREIT Index: Includes REITs (Real Estate Investment Trusts) listed on the New York Stock Exchange, NASDAQ and American Stock Exchange.

NASDAQ Composite Index: A market capitalization-weighted average of roughly 5,000 stocks that are electronically traded in the NASDAQ market.

NCREIF Property Index (NPI): Measures the investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

Russell 1000 Index: Measures the performance of the 1,000 largest companies in the Russell 3000 Index and is representative of the U.S. large capitalization securities market.

Russell 1000 Growth Index: Measures companies in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. It includes the largest 1,000 firms in the Russell 3000 Index.

Russell 1000 Value Index: Measures companies in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values. It includes the largest 1,000 firms in the Russell 3000 Index.

Russell 2000 Index: Measures the performance of the 2,000 smallest companies in the Russell 3000 Index and is representative of the U.S. small capitalization securities market.

Russell 2000 Growth Index: Measures companies in the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values. and is representative of U.S. securities exhibiting growth characteristics. The Russell 2000 Index includes the 2,000 firms from the Russell 3000 Index with the smallest market capitalizations.

Russell 2000 Value Index: Measures companies in the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index includes the 2,000 firms from the Russell 3000 Index with the smallest market capitalizations.

Russell 3000 Index: Measures the performance of the 3,000 largest U.S. securities based on total market capitalization.

Russell Midcap Index: Measures the 800 smallest companies in the Russell 3000 Index.

Russell Midcap Growth Index: Measures companies in the Russell Midcap Index having higher price-to-book ratios and higher forecasted growth values.

Frequently used investment indexes (page 5 of 5)

Russell Midcap Value Index: Measures companies in the Russell Midcap Index having lower price-to-book ratios and lower forecasted growth values.

S&P 500 Index: Consists of 500 widely traded stocks that are considered to represent the performance of the U.S. stock market.

S&P Global ex-U.S. Property Index: Measures the investable universe of publicly traded property companies domiciled in developed and emerging markets excluding the United States. The companies included are engaged in real estate related activities such as property ownership, management, development, rental and investment.

S&P GSCI: A composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

S&P/Case-Shiller Home Price Indexes: A group of indexes that track changes in home prices throughout the United States. Case-Shiller produces indexes representing certain metropolitan statistical areas (MSA) as well as a national index.

Swiss Re Global Cat Bond Total Return Index: Tracks the aggregate performance of all U.S. dollar-denominated euros and Japanese yen-denominated catastrophe bonds, capturing all ratings, perils and triggers.

U.S. Dollar Index: Indicates the general international value of the U.S. dollar by averaging the exchange rates between the U.S. dollar and six major world currencies.

Wilshire 5000 Index: Composed of more than 6,700 publicly-traded U.S. companies and is designed to track the overall performance of the American stock markets.