25TH ANNIVERSARY SJS Investment Services

2021

SJS CAPITAL MARKET EXPECTATIONS

EXECUTIVE SUMMARY

SJS works with clients to specify investment goals, and then advises on assets in which to invest, in what percentages, and in which accounts to place these investments. There are many tradeoffs, some of which are known and some that cannot be fully predicted. Using the Four Core Fundamentals of MarketPlus Investing®—1) Markets are efficient and priced fairly; 2) Speculating is futile; 3) Global stocks and bonds have rewarded investors over the long term; 4) Portfolio design matters most—SJS designs low-cost, diversified global portfolios across stock, bond, and alternative asset classes in order to manage the relationship between expected risk and expected return.

One part of this portfolio design process is to project potential expected return and expected risk (volatility) scenarios for each asset class over long-term (10+ years) periods. Investing is about forward-looking information. While we learn much from what happened in the past, asset prices are based on expectations of future economic conditions and company fundamentals. These expectations are inherently uncertain, as investors do not know what exactly will happen in the future. Therefore, we believe that providing a range of potential expected returns for each asset class is appropriate, as using a single number may lead to biases or unrealistic & unrealized expectations.

SJS considers numerous factors when designing capital market expectations, including academic research, historical trends,

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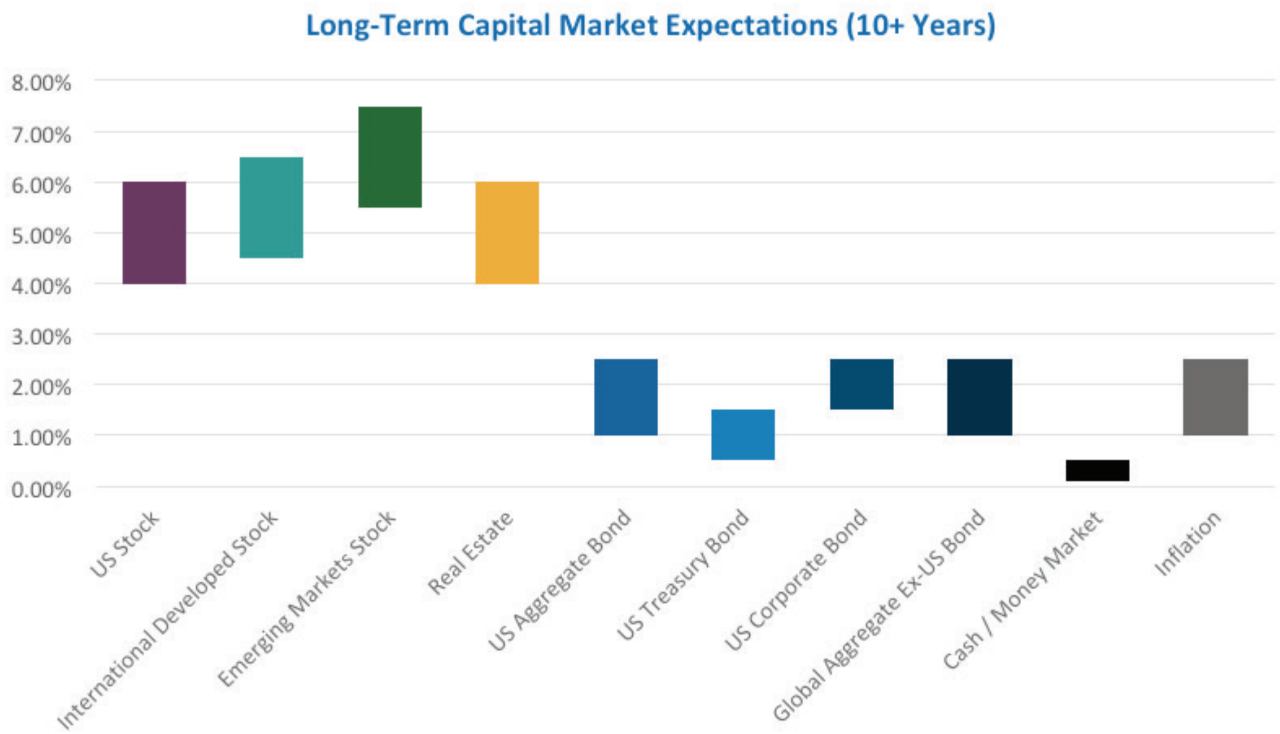
and the current market environment. For example, while the market risk premium (the return of the stock market over the Treasury Bill rate) has been approximately 8% over the last 90 years, muted inflation, slowing growth prospects, and stretched stock market valuations contribute to return expectations being on the lower end of their historical averages.[1] The U.S. stock market has far exceeded that market risk premium since 2009 (in large part due to the omission of price declines during the financial crisis while experiencing price gains during the recovery), but international developed and emerging market stocks had a tough decade in comparison, so we would not be surprised to see non-U.S. stocks with greater relative gains in the 2020s. While small value stocks historically captured returns superior to large growth stocks, it was not the case at the end of the last decade. Nevertheless, we remain confident in the statistical evidence and rationale to maintain disciplined exposures to small and value stocks. Finally, with strong bond returns in 2020 and the U.S. Federal Reserve planning to keep interest rates low, bond investors should be prepared for correspondingly low returns.[2]

Every MarketPlus Investing portfolio is globally diversified across and within asset classes, industries, and securities through the use of low-cost institutional-class mutual funds and ETFs. Assets are invested where return premiums have historically occurred, and where market indicators imply they will continue. Portfolios are designed for lower turnover by rebalancing based on logical systematic criteria and staying invested regardless of market volatility, which can lead to lower transaction costs. We believe performance lies in the portfolio design itself, rather than stock picking or market timing, and that investors should focus on controlling what they can control. The nominal annualized return on U.S. stocks (as measured by the S&P 500) from 1928 through 2020 was about 10%. But if you had gone to cash and missed the best 76 of the 23,361 trading days (0.33% of trading days), you would have missed all of the return.[3] We do not know ahead of time which days (or months or even years) will have the highest market returns, but through MarketPlus Investing, SJS will continue to support clients by applying these capital market expectations and using them primarily for long-term strategic planning rather than short-term market decisions.

[1] *Source: Dimensional Fund Advisors. Arithmetic average of annual premiums of the Fama/French Total US Market Index minus one-month US T-Bills (1928-2019).*
[2] *"Fed Signals Low Rates Likely to Last Several Years." Nick Timiraos, 16-Sep-2020, wsj.com.*
[3] *Source: Yahoo Finance; S&P Data.*

See Important Disclosure Information.



	Expected (Nominal) Return	Expected (Nominal) Standard Deviation	Trailing 10 Years Return	Trailing 10 Years Standard Deviation
	Range	Range	1/1/2011 - 12/31/2020	1/1/2011 - 12/31/2020
US Stock	4.00% - 6.00%	15.00% - 18.00%	13.79%	14.14
International Developed Stock	4.50% - 6.50%	16.00% - 20.00%	6.00%	15.12%
Emerging Markets Stock	5.50% - 7.50%	19.00% - 24.00%	4.00%	17.79%
Real Estate	4.00% - 6.00%	16.00% - 21.00%	7.29%	15.52%
US Aggregate Bond	1.00% - 2.50%	2.75% - 4.50%	3.84%	2.93%
US Treasury Bond	0.50% - 1.50%	2.50% - 4.00%	3.34%	3.60%
US Corporate Bond	1.50% - 2.50%	3.00% - 5.00%	5.63%	5.08%
Global Aggregate Ex-US Bond	1.00% - 2.50%	3.50% - 5.50%	1.99%	6.40%
Cash / Money Market	0.10% - 0.50%	0.25% - 1.00%	0.61%	0.24%
Inflation	1.00% - 2.50%	0.50% - 1.00%	1.71%	0.76%

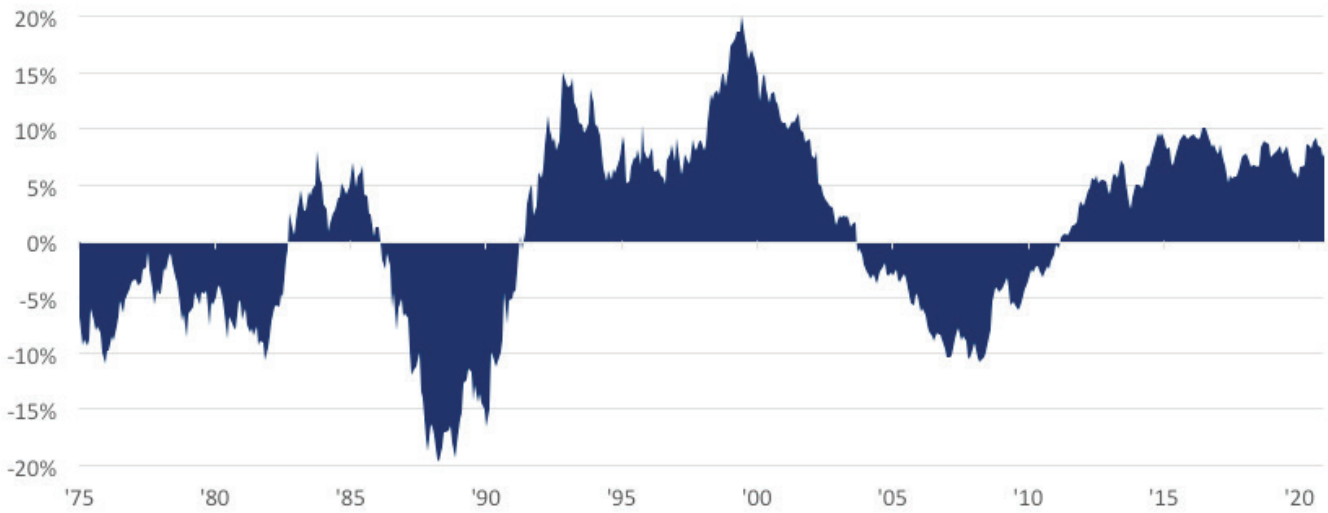
Source: Morningstar. Asset Classes are represented as follows – US Stock - Russell 3000 TR USD; International Developed Stock - MSCI EAFE GR USD; Emerging Markets Stock - MSCI EM GR USD; Real Estate - S&P Global REIT TR USD; Alternatives - Wilshire Liquid Alternative TR USD; US Aggregate Bond - BBgBarc US Agg Bond TR USD; US Treasury Bond - BBgBarc US Treasury TR USD; US Corporate Bond - BBgBarc US Corp Bond TR USD; Global Aggregate Ex-US Bond - BBgBarc Gbl Agg Ex USD TR USD; Cash / Money Market - USTREAS T-Bill Sec Mkt 3 Mon; Inflation - US BLS CPI All Urban SA

INTERNATIONAL DEVELOPED AND EMERGING MARKETS LOOKING TO REVERSE US DOMINANCE

Valuations Stretched Across the Globe

Over the last decade, U.S. stocks have outpaced both international developed and emerging markets stocks by a wide margin. Since the start of 2010, the U.S. stock market gained nearly 14% per year, while international developed stocks gained 6% annually, and emerging markets stocks 4% annually. However, as this graph demonstrates, U.S. stocks have not always outperformed international stocks.

US Equity vs. International Developed Equity: 5-Year Annualized Rolling Returns (1/1/1970 - 12/31/2020)



Source: Morningstar. Asset Classes are as follows: US Equity (Russell 3000 TR USD); International Developed Equity (MSCI World ex USA TR USD); See Important Disclosure Information.

As a result of the strong stock performance, the price that investors are willing to pay for U.S. stocks has risen. For the trailing 12 months, several common valuation metrics—price/earnings, price/book value, price/sales, and price/cash Flow—are at or near all-time highs across the board. International developed and emerging markets, though not cheap, are far more favorable from a relative valuation perspective.

	US	International	Emerging Markets
P/E	22.2	17.4	14.4
P/B	3.2	1.6	1.7
P/S	2.2	1.2	1.4
P/C	14.0	10.0	8.9

Source: Morningstar. Asset Classes are as follows: US Equity (Russell 3000 TR USD); International Developed Equity (MSCI EAFE GR USD); Emerging Markets Equity (MSCI EM GR USD); through December 31, 2020. See Important Disclosure Information.

The lower valuation of international and emerging markets companies, with otherwise similar dividends/cash flow, can potentially lead to higher expected returns since you are paying less for a comparable stream of dividends/cash flow. With the U.S. stock market starting the 2020s still outperforming international stocks after a decade of dominance, we believe international developed and emerging markets stocks are likely poised for a reversal in the next 10 years. While maintaining a home country bias, SJS and MarketPlus Investing's design is intended to capture the favorable relative valuations and valuable diversification benefits abroad.[1]

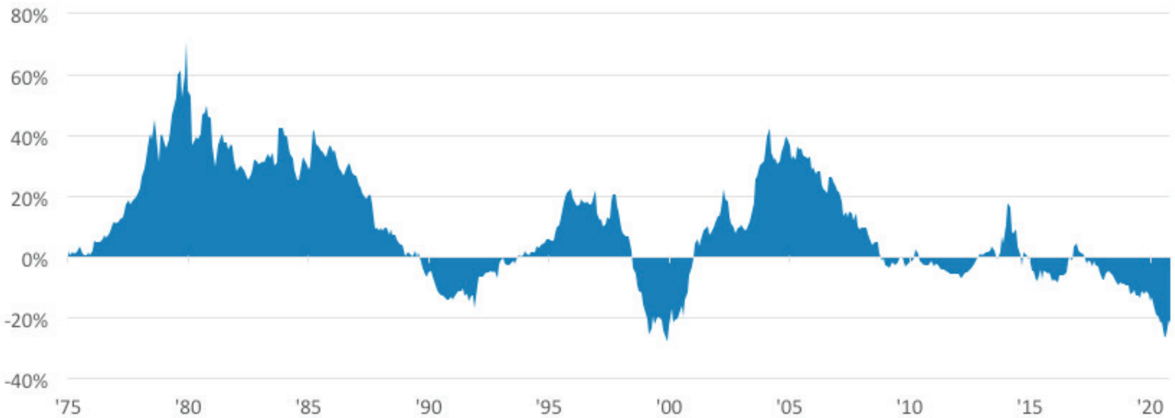
[1] "Geographic Diversification Can Be a Lifesaver, Yet Most Portfolios Are Highly Geographically Concentrated." Bridgewater Associates, 20-Feb-2019.

SMALL VALUE LOOKING TO REGAIN REIGN OVER LARGE GROWTH

Long-Term Dominance of Small Value May Make It a Favorable Tilt

Investors have seen the divergence between large growth and small value stocks continue. Over the past five years, large growth is up 28.5% annualized vs. 6.4% for small value. The rolling five-year returns between large growth and small value are at the widest and most prolonged spread in favor of large growth since the early 2000s.

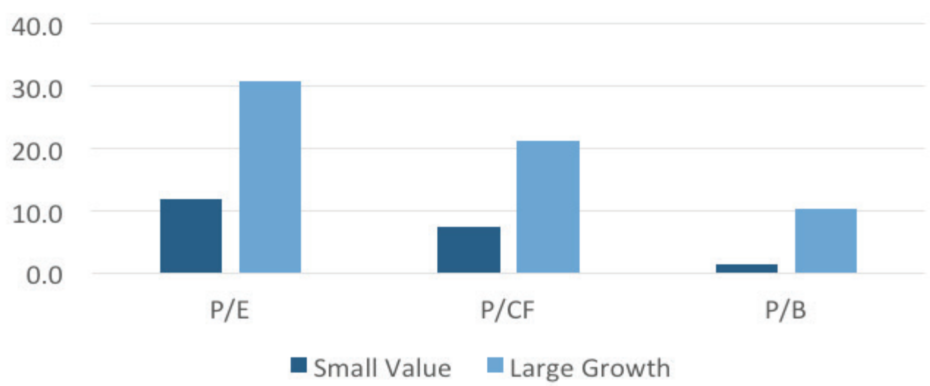
Small Value vs. Large Growth Equity: 5-Year Annualized Rolling Returns (1/1/1970 - 12/31/2020)



Source: Morningstar. Ken French Data Library. Asset classes are as follows: Large Growth (Fama/French US Large Growth Research Index) & Small Value (Fama/French US Small Value Research Index). See Important Disclosure Information.

Investors are paying top-dollar for low (or even no) earnings, with the hopes of outpaced growth in the future. *What could possibly go wrong?*

US Valuation Measures - December 31, 2020



Source: Morningstar. Ken French Data Library. Asset classes are as follows: Large Growth (Fama/French US Large Growth Research Index) & Small Value (Fama/French US Small Value Research Index). See Important Disclosure Information.

This story may sound familiar to investors who experienced the dot-com era. While MarketPlus Investing includes allocations to the large growth space, portfolios provide above-market exposure to small value stocks, where academic research and history have demonstrated a premium exists. As small value looks for its crown, MarketPlus Investing is designed and positioned for small value's reign to return.

WHAT DRIVES BOND RETURNS?

Yield-to-Maturity Can Reasonably Estimate Higher-Quality Intermediate-Term Bond Expected Returns

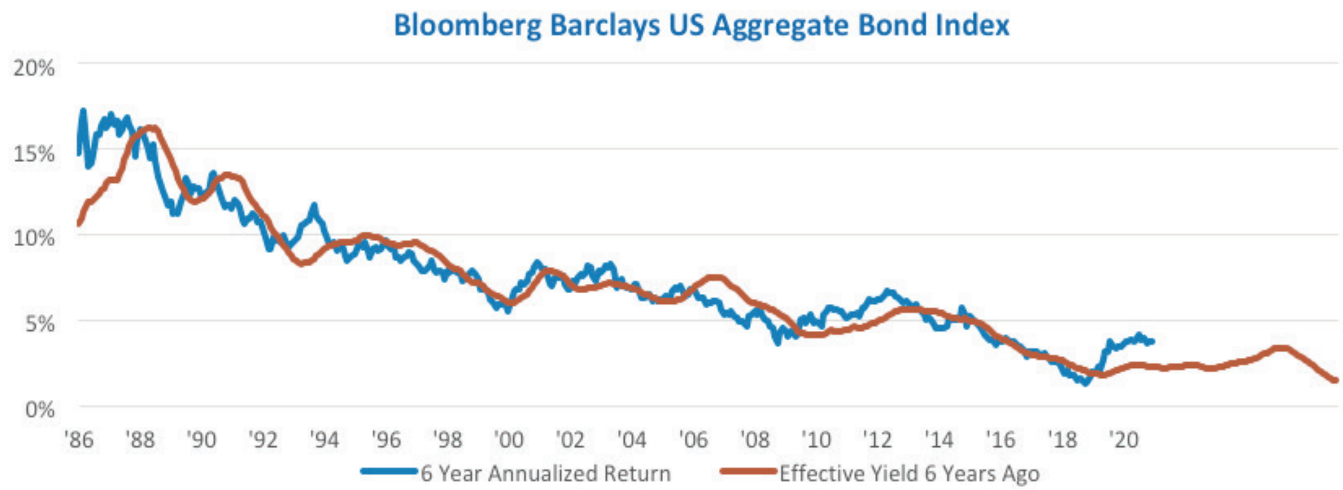
We believe that bond returns are driven by the following factors:

- **Interest rates/duration:** Interest rates on U.S. government bonds typically serve as the base for determining what each bond issuer will pay on bonds. Changes in interest rates tend to drive much of the price changes in bonds in aggregate. When interest rates increase (decrease), existing fixed-rate bonds tend to decline (increase) in price in order to incentivize future investors to purchase the existing (new) bonds, because new bonds will pay higher (lower) interest.

- **Credit quality:** Companies with higher credit quality tend to pay lower interest rates than companies with lower credit quality, because investors have more assurance that higher-credit-quality companies will be able to pay off their bonds with existing cash flow and assets. Correspondingly, when a company decreases (increases) in credit quality, its bonds typically decrease (increase) in price because investors have less (more) assurance that the company will pay off its bond obligations.

- **Liquidity:** In secondary markets, bonds that can be more (less) easily traded tend to have higher (lower) prices than bonds with less liquidity, because investors have greater (less) ability to sell the bonds if they need to, particularly in the most volatile market periods.

Because bonds tend to pay a fixed series of interest payments, investors can more accurately estimate expected returns for existing bonds than for stocks. Often, particularly for higher-quality (investment-grade) bonds with short- to intermediate-term maturities, bondholders can reasonably estimate expected returns via the bond's yield-to-maturity (YTM), which is the bond's expected return assuming: 1) That the company does not default; 2) That all interest payments are reinvested; 3) That the bond is held until maturity.



Source: Morningstar. Returns through 31-Dec-2020. See Important Disclosure Information.

However, for lower-quality (non-investment-grade) bonds, particularly those with longer-term maturities, YTM may not reasonably estimate expected returns, because there is higher risk of the company defaulting on its bond, as well as a higher probability that the bond price fluctuates and thus interest payments are not reinvested at prices near the current market price and par value.[1]

Because the U.S. aggregate bond market index consists of higher-quality intermediate-term-on-average bonds, and the Fed's intent is to keep interest rates low for the next few years,[2] we believe that existing YTM supports our expectation that the U.S. aggregate bond market will return 1.00 – 2.50% over the next 10+ years.

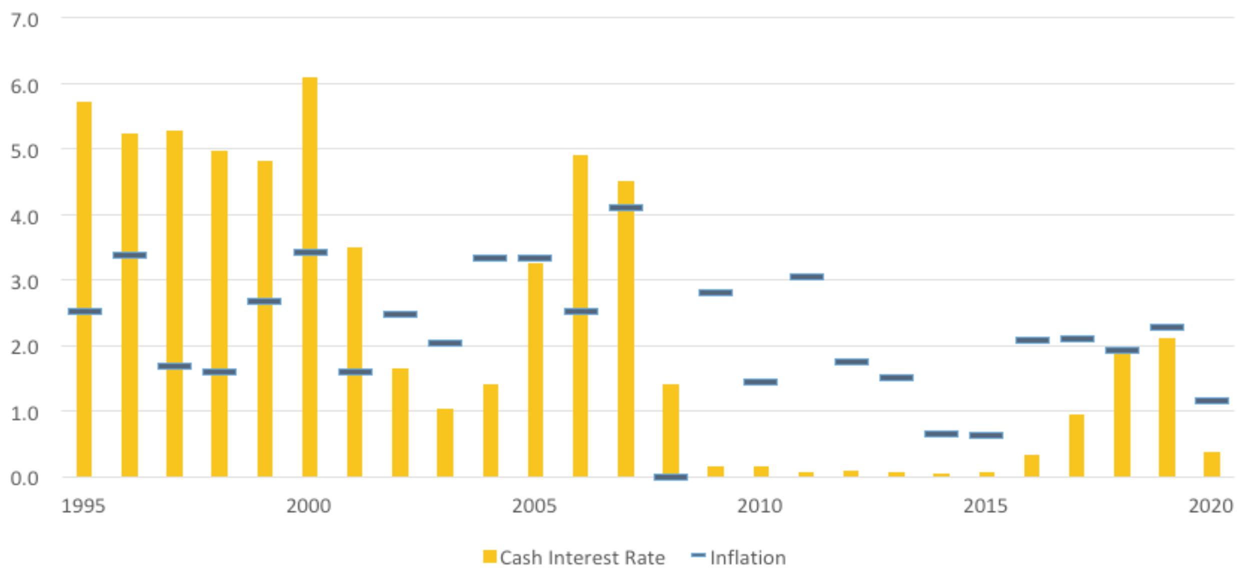
[1] *"Beyond Yield: How Upgrades and Downgrades Drive Bond Performance." Verdad Capital, 30-Nov-2020, verdadcap.com.*
[2] *"Fed Signals Low Rates Likely to Last Several Years." Nick Timiraos, 16-Sep-2020, wsj.com*

IS YOUR CASH KEEPING UP?

Low Interest Rates Below the Inflation Rate Leave Investors with a Challenge

The adage "Cash is King" has been used in investing to highlight the value of holding on to cash to both protect an investor from having to withdraw when the markets are down, as well as the ability to deploy cash and purchase when prices become cheaper. However, over the last decade, with interest rates kept low near the anchoring Fed Funds rate, inflation has outpaced the interest rate on cash, leading to that cash losing its spending power over time.

In the U.S., the erosion of cash value has been greater in recent times than previous periods, with cash trailing inflation since 2009, seen below. We believe this trend is likely to continue, with the Federal Reserve indicating they will continue to keep interest rates near 0%, all the while continuing to provide stimulus to the economy, leading to a 5-Year Breakeven Expected Inflation Rate of 1.92%.[1,2]



Source: Morningstar. Cash represented by the US Treasury T-Bill Secondary Market 3 Month Rates. Inflation represented by the US Bureau of Labor Statistics Consumer Price Index All Urban Seasonally Adjusted Index. See Important Disclosure Information.

Cash management remains vital to both risk mitigation and capital preservation. How can you increase your expected return via cash-like holdings? Online banks sometimes offer higher savings account interest rates than traditional banks due to their lower fixed physical costs. Depending on the holding time horizon, cash alternatives may include Treasury Inflation-Protected Securities (TIPS) or other higher-quality short-term bonds. Furthermore, both real estate and stocks have historically significantly outperformed inflation over the long term, though they typically add significantly more volatility over the short term.[3] Prudent cash management can add incremental value to your overall portfolio investment return.

Sources:

[1] Stocks for the Long Run: The Definitive Guide to Financial Market Returns & Long-Term Investment Strategies. Jeremy Siegel, 2014, McGraw-Hill Education.

[2] "5-Year Breakeven Inflation Rate." Federal Reserve Bank of St. Louis, 29-Dec-2020, fred.stlouis.org. The breakeven inflation rate represents a measure of expected inflation derived from 5-Year Treasury Constant Maturity Securities and 5-Year Treasury Inflation-Indexed Constant Maturity Securities. The latest value implies what market participants expect inflation to be in the next 5 years, on average. See Important Disclosure Information.

[3] "Fed Signals Low Rates Likely to Last Several Years." Nick Timiraos, 16-Sep-2020, wsj.com.

IMPORTANT DISCLOSURE INFORMATION

There is no guarantee investment strategies will be successful. Past performance is no guarantee of future results. Diversification neither assures a profit nor guarantees against a loss in a declining market.

Statements contained in this report that are not statements of historical fact are intended to be and are forward looking statements. Forward looking statements include expressed expectations of future events and the assumptions on which the expressed expectations are based. All forward looking statements are inherently uncertain as they are based on various expectations and assumptions concerning future events and they are subject to numerous known and unknown risks and uncertainties which could cause actual events or results to differ materially from those projected.

MarketPlus Investing® models consist of institutional quality registered investment companies. Investment values will fluctuate, and shares, when redeemed, may be worth more or less than original cost.

Advisory services are provided by SJS Investment Services, a registered investment advisor with the SEC. Registration does not imply a certain level of skill or training. SJS Investment Services does not provide legal or tax advice. Please consult your legal or tax professionals for specific advice. This material has been prepared for informational purposes only.

Hyperlinks to third-party information are provided as a convenience and we disclaim any responsibility for information, services or products found on websites or other information linked hereto.

Indices are not available for direct investment. Their performance does not reflect the expenses associated with management of an actual portfolio. Mutual fund investment values will fluctuate, and shares, when redeemed, may be worth more or less than original cost.

All returns represent total return for stated period provided by Morningstar Direct.

Indexes are as follows:

US Stock (Russell 3000 TR USD Index measures the performance of the largest 3000 US companies representing approximately 98% of the investable US equity market. It is market-capitalization weighted.); The S&P 500 Index is a free float-adjusted market-capitalization-weighted index of 500 of the largest publicly traded companies in the United States. **Intl Development Stock** (MSCI EAFE GR USD Index measures the performance of the large and mid cap segments of developed markets, excluding the US & Canada equity securities. It is free float-adjusted market-capitalization weighted.); The MSCI World ex USA Index captures large and mid-cap representation across 22 of 23 Developed Markets countries, excluding the United States. The index covers approximately 85% of the free float-adjusted market-capitalization in each country. **Emerging Markets Stock** (MSCI Emerging Markets GR USD Index measures the performance of the large and mid cap segments of emerging market equity securities. It is free float-adjusted market-capitalization weighted.); **Alternatives** (Wilshire Liquid Alternative TR USD Index measures the collective performance of the five Wilshire Liquid Alternative strategies that make up the Wilshire Liquid Alternative Universe. The Wilshire Liquid Alternative Index is designed to provide a broad measure of the liquid alternative market by combining the performance of the Wilshire Liquid Alternative Equity Hedge Index, Wilshire Liquid Alternative Global Macro Index, Wilshire Liquid Alternative Relative Value Index, Wilshire Liquid Alternative Multi-Strategy Index, and Wilshire Liquid Alternative Event Driven Index. The Wilshire Liquid Alternative Index is double-cap adjusted AUM weighted and rebalanced semi-annually); **Real Estate** (S&P Global REIT TR USD Index measures the performance of publicly traded REITs and REIT-like securities listed in both developed and emerging markets. The index is designed to serve as 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); **US Aggregate Bond** (Bloomberg Barclays US Aggregate Bond TR USD Index measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. It rolls up into other Barclays flagship indices, such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt.); **US Treasury Bond** (BBgBarc US Treasury TR USD Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting.); **US Corporate Bond** (BBgBarc US Corporate Bond TR USD Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.); **Global Aggregate Ex-US Bond** (Bloomberg Barclays Global Aggregate TR USD Index measures the performance of global investment grade fixed-rate debt markets, including the Pan-European Aggregate, the Asian-Pacific Aggregate, Global Treasury, Eurodollar, Euro-Yen, Canadian, and Investment Grade 144A index-eligible securities.); **Cash / Money Market** (US Treasury T-Bill Secondary Market 3 Month rates are the daily secondary market quotation on the most recently auctioned Treasury Bills for the 13 week maturity for which Treasury currently issues new Bills. Market quotations are obtained at approximately 3:30 PM each business day by the Federal Reserve Bank of New York. The rate at which a Bill is quoted in the secondary market and is based on the par value, amount of the discount and a 360-day year.) **Inflation** (US Bureau of Labor Statistics Consumer Price Index All Urban Seasonally Adjusted is a measure of the average monthly change in the price for goods and services paid by urban consumers between any two time periods. It can also represent the buying habits of urban consumers. This particular index includes roughly 88 percent of the total population, accounting for wage earners, clerical workers, technical workers, self-employed, short-term workers, unemployed, retirees, and those not in the labor force.)

Large Growth (Fama/French US Large Growth Research Index) & **Small Value** (Fama/French US Small Value Research Index): Composition: The index portfolios for July of year t to June t+1 include all NYSE, AMEX, and NASDAQ stocks for which we have market equity for December t-1 and June of t, and (positive) book-to-market equity data for fiscal year ending in t-1. Exclusions: ADRs, Investment Companies, Tracking Stocks, non-US incorporated companies, Closed-end funds, Certificates, Shares of Beneficial Interests, and negative book values. Sources: CRSP databases for returns and market capitalization: 1926 -present Compustat and hand-collected book values: 1926- present CRSP links to Compustat and hand-collected links: 1926- present Breakpoints: “The size breakpoint is the market capitalization of the median NYSE firm, so the big and small categories contain the same number of eligible NYSE firms. The BtM breakpoints split the eligible NYSE firms with positive book equity into three categories: 30% of the eligible NYSE firms with positive BE are in Low (Growth), 40% are in Medium (Neutral), and 30% are in High (Value).” Rebalancing: Annual (at the end of June) 1926-Present Fama/French and multifactor data provided by Fama/French.

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