Q2 2021 MARKET REVIEW

The Markets (second quarter through June 30, 2021)

The second quarter began with stocks making solid gains in April. COVID vaccines became available to more Americans. The federal government and several states pushed forward with reopening after relaxing many of pandemic-related constraints. Economic data was favorable and encouraging. The first-quarter gross domestic product accelerated at an annualized rate of 6.4%, claims for unemployment slowed, 266,000 new jobs were added, and manufacturing expanded. Price inflation expanded, although the Federal Reserve asserted that it would continue stimulus measures, even if inflation reached and exceeded the Fed's 2.0% target. Each of the benchmark indexes listed here posted solid monthly gains, led by the Nasdaq (5.4%), followed by the S&P 500 (5.2%), the Global Dow (2.9%), the Dow (2.7%), and the Russell 2000 (2.1%). Bond prices increased, pulling yields lower. Crude oil prices ended April at $63.50 per barrel after increasing by more than 7.0% from March. The dollar slipped 2.1%, while gold prices rose 3.5%, closing April at $1,788.20 per troy ounce.

Stocks ended May with mixed returns, with the Global Dow (3.59%) and the Dow (1.93%) posting solid gains, while the Nasdaq fell 1.53%. Sector returns varied, with financials, energy, and materials gaining more than 3.0%, while consumer discretionary and information technology dipped more than 2.5%. Long-term Treasury yields decreased marginally, the dollar dropped 1.3%, while crude oil prices continued to climb, gaining nearly 5.0%. Overall, economic data was positive and confirmed that economic growth was accelerating, but not at the pace some may have anticipated. Labor added 266,000 new jobs, well below the nearly 1,000,000 figure some economists predicted. The number of job openings reached its highest level since 2000, which appears to point to a shortage of available workers rather than a slowdown in labor demand. Inflation was the buzzword throughout the month as consumer prices continued to climb, stoking fears that the Federal Reserve would cut back on stimulus measures in place. The personal consumption expenditures price index rose 0.6%, the Consumer Price Index climbed 0.8%, and producer prices increased 0.6%. Nevertheless, Fed officials repeated assurances that the price hikes were temporary due to "transitory supply chain bottlenecks."

Economic recovery continued in June. Stocks closed the month generally higher, with only the Dow and the Global Dow lagging. Tech shares rebounded from a moderate dip in May to push the Nasdaq to a series of record highs in June. Bond prices rose, dragging yields lower. Yields on 10-year Treasuries declined nearly 10 basis points last month. Crude oil prices climbed nearly $7.00 per barrel. Information technology led the sectors, advancing nearly 7.0%, while materials, financials, and consumer staples lost value. The dollar rose, while gold prices dropped. June saw 559,000 new jobs added, with notable job gains in leisure and hospitality, health care and social assistance, and manufacturing. Inflationary pressures may be peaking as supply-chain pressures that had driven commodity prices higher over the past several months may be easing. Lumber prices fell from record highs and retail vehicle prices may have crested as wholesale auto prices slid. Investor confidence may have been boosted in June with the announcement by President Joe Biden of a bipartisan infrastructure spending package.

Overall, the second quarter was a good one for equities. The Nasdaq gained 9.5%, followed closely by the S&P 500 (8.2%), the Global Dow (4.9%), the Dow (4.6%), and the Russell 2000 (4.1%). Real estate, information technology, energy, and communication services all posted quarterly gains

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of more than 10.0% to lead the market sectors. Year to date, the Russell 2000 is well ahead of its 2020 year-end closing value, followed by the Global Dow, the S&P 500, the Dow, and the Nasdaq.

The yield on 10-year Treasuries fell 30 basis points. Crude oil prices increased $14.17 per barrel, or 24.0%, in the second quarter. The dollar lost nearly 1.0%, while gold prices advanced 3.6%. The national average retail price for regular gasoline was $3.091 per gallon on June 28, up from the May 31 price of $3.027 and 8.4% higher than the March 29 selling price of $2.852.

Stock Market Indexes

Market/Index	2020 Close	As of June 30	Monthly Change	Quarterly Change	YTD Change
DJIA	30,606.48	34,502.51	-0.08%	4.61%	12.73%
Nasdaq	12,888.28	14,503.95	3.88%	9.49%	12.54%
S&P 500	3,756.07	4,297.50	2.22%	8.17%	14.41%
Russell 2000	1,974.86	2,310.55	1.82%	4.05%	17.00%
Global Dow	3,487.52	4,001.68	-1.55%	4.93%	14.74%
Fed. Funds	0.00%-0.25%	0.00%-0.25%	0 bps	0 bps	0 bps
10-year Treasuries	0.91%	1.44%	-14 bps	-30 bps	53 bps
US Dollar-DXY	89.84	92.34	2.55%	-0.95%	2.78%
Crude Oil-CL=F	$48.52	$73.51	10.31%	23.92%	51.50%
Gold-GC=F	$1,893.10	$1,770.50	-7.18%	3.63%	-6.48%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

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STATEMENT OF ADDITIONAL DISCLOSURES: PEER GROUP DESCRIPTIONS

- **Allocation--50% to 70% Equity (MA).** Funds in allocation categories seek to provide both income and capital appreciation by investing in multiple asset classes, including stocks, bonds, and cash. These portfolios are dominated by domestic holdings and have equity exposures between 50% and 70%.
- **Foreign Large Blend (FB).** Foreign large-blend portfolios invest in a variety of big international stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios typically will have less than 20% of assets invested in U.S. stocks.
- **Foreign Large Value (FV).** Foreign large-value portfolios invest mainly in big international stocks that are less expensive or growing more slowly than other large-cap stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow). These portfolios typically will have less than 20% of assets invested in U.S. stocks.
- **Intermediate Core-Plus Bond (PI).** Intermediate-term core-plus bond portfolios invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, but generally have greater flexibility than core offerings to hold non-core sectors such as corporate high yield, bank loan, emerging-markets debt, and non-U.S. currency exposures. Their durations (a measure of interest-rate sensitivity) typically range between 75% and 125% of the three-year average of the effective duration of the Morningstar Core Bond Index.
- **Large Blend (LB).** Large-blend portfolios are fairly representative of the overall US stock market in size, growth rates and price. Stocks in the top 70% of the capitalization of the US equity market are defined as large cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of US industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index.
- **Large Growth (LG).** Large-growth portfolios invest primarily in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries.
- **Large Value (LV).** Large-value portfolios invest primarily in big U.S. companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).
- **Mid-Cap Blend (MB).** The typical mid-cap blend portfolio invests in U.S. stocks of various sizes and styles, giving it a middle-of the-road profile. Most shy away from high-priced growth stocks but aren't so price-conscious that they land in value territory. Stocks in the middle 20% of the capitalization of the U.S. equity market are defined as mid-cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.
- **Mid-Cap Growth (MG).** Some mid-cap growth portfolios invest in stocks of all sizes, thus leading to a mid-cap profile, but others focus on midsize companies. Mid-cap growth portfolios target U.S. firms that are projected to grow faster than other mid-cap stocks, therefore commanding relatively higher prices. Stocks in the middle 20% of the capitalization of the U.S. equity market are defined as mid-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).
- **Miscellaneous Sector (MR).** Miscellaneous-sector portfolios invest in specific sectors that do not fit into any of Morningstar's existing sector categories and for which not enough funds exist to merit the creation of a separate category.
- **Multisector Bond (MU).** Multisector-bond portfolios seek income by diversifying their assets among several fixedincome sectors, usually U.S. government obligations, U.S. corporate bonds, foreign bonds, and high-yield U.S. debt securities. These portfolios typically hold 35% to 65% of bond assets in securities that are not rated or are rated by a major agency such as Standard & Poor"s or Moody"s at the level of BB (considered speculative for taxable bonds) and below.

STATEMENT OF ADDITIONAL DISCLOSURES: PEER GROUP DESCRIPTIONS

- **Small Blend (SB).** Small-blend portfolios favor U.S. firms at the smaller end of the market-capitalization range. Some aim to own an array of value and growth stocks while others employ a discipline that leads to holdings with valuations and growth rates close to the small-cap averages. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.
- **Small Value (SV).** Small-value portfolios invest in small U.S. companies with valuations and growth rates below other small-cap peers. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).
- **Target-Date 2030 (TH).** Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2026-2030) for retirement. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. Management adjusts the allocation among asset classes to moreconservative mixes as the target date approaches, following a preset glide path. A target-date portfolio is part of a series of funds offering multiple retirement dates to investors.
- **Target-Date 2040 (TJ).** Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2036-2040) for retirement. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. Management adjusts the allocation among asset classes to moreconservative mixes as the target date approaches, following a preset glide path. A target-date portfolio is part of a series of funds offering multiple retirement dates to investors.
- **Target-Date 2050 (TN).** Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2046-2050) for retirement. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. Management adjusts the allocation among asset classes to moreconservative mixes as the target date approaches, following a preset glide path. A target-date portfolio is part of a series of funds offering multiple retirement dates to investors.
- **Target-Date Retirement (RI).** Target-Date Retirement portfolios provide a mix of stocks, bonds, and cash for those investors already in or entering retirement. These portfolios tend to be managed to more of a conservative asset-allocation strategy. These portfolios aim to provide investors with steady income throughout retirement.
- **Technology (ST).** Technology portfolios buy high-tech businesses in the U.S. or outside of the U.S. Most concentrate on computer, semiconductor, software, networking, and Internet stocks. A few also buy medical-device and biotechnology stocks, and some concentrate on a single technology industry.
- **Utilities (SU).** Utilities portfolios seek capital appreciation by investing primarily in equity securities of U.S. or non-U.S. public utilities including electric, gas, and telephone-service providers.

STATEMENT OF ADDITIONAL DISCLOSURES: RISKS

Investing involves risk. Loss of principal is possible. An investment in a fund is not a bank deposit, and it is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Each fund carries its own specific risks which depend on the types of investments in the fund. Investors should review the fund's prospectus carefully to understand the risks before investing.

In general, some of the risks associated with the Morningstar Categories shown in this report are as follows:

- **Allocation.** Different methods of asset allocation are associated with varying degrees of risks. Conservative portfolios contain low risk investments but may not earn any value over time. Moderate portfolios have a higher level of risk than conservative portfolios. Aggressive portfolios mainly consist of equities, so their value tends to fluctuate widely.
- **Bonds.** Bonds are subject to interest rate risk. As the prevailing level of bond interest rates rise, the value of bonds already held in a portfolio decline. Portfolios that hold bonds are subject to declines and increases in value due to general changes in interest rates. Bonds are also subject to prepayment risk, which is the chance that an issuer may exercise its right to prepay its security, if falling interest rates prompt the issuer to do so. Forced to reinvest the unanticipated proceeds at lower interest rates, the fund would experience a decline in income and lose the opportunity for additional price appreciation.
- **Foreign.** Investments in foreign securities may be more volatile than investing solely in U.S. markets due to interest-rate, currency, exchange rate, economic, and political risks. The value of these securities can change more rapidly and extremely than can the value of U.S. securities. Foreign securities are subject to increased issuer risk because foreign issuers may not experience the same degree of regulation as U.S. issuers do and are held to different reporting, accounting, and auditing standards. In addition, foreign securities are subject to increased costs because there are generally higher commission rates on transactions, transfer taxes, higher custodial costs, and the potential for foreign tax charges on dividend and interest payments. Many foreign markets are relatively small, and securities issued in less-developed countries face the risks of nationalization, expropriation or confiscatory taxation, and adverse changes in investment or exchange control regulations, including suspension of the ability to transfer currency from a country. Economic, political, social, or diplomatic developments can also negatively impact performance.
- **Foreign Currencies.** Foreign currencies are subject to the risks associated with such currencies and the changes in their values relative to the U.S. dollar. Such risks include volatility in the price relationship between the U.S. dollar and foreign currencies. The value of foreign currencies relative to the U.S. dollar can be affected by many factors, including national debt levels, trade deficits, international trade and foreign policies, changes in trade and balance of payments, governmental fiscal and monetary policies, currency exchange rates and changes in supply and demand that affect those rates, investment and trading activity of mutual funds, hedge funds and currency funds, exchange rate controls and government intervention in currency markets, inflation rates, interest and deposit rates, market expectations about future inflation rates and interest rates, and global and national economic, financial, political, regulatory, judicial, military and geographical events or developments. Prices of currencies of less developed or emerging market nations tend to be more volatile than those of developed countries, given the greater political, regulatory, economic, financial, military and social instability and uncertainty in less developed or emerging market nations.
- **Large Cap Equities.** Concentrating assets in large-capitalization stocks may subject the portfolio to the risk that those stocks underperform other capitalizations or the market as a whole. Large-cap companies may be unable to respond as quickly as small- and mid-cap companies can to new competitive pressures and may lack the growth potential of those securities. Historically, large-cap companies do not recover as quickly as smaller companies do from market declines.
- **Sector.** Concentrating assets in a particular industry, sector of the economy, or markets may increase volatility because the investment will be more susceptible to the impact of factors such as the market, the economy, regulations, and other dynamics affecting that industry or sector compared with a more broadly diversified asset allocation.
- **Small/Mid Cap Equities.** Portfolios that invest in stocks of small- to mid-cap companies involve additional risks. Smaller companies typically have a higher risk of failure and are not as well established as larger blue-chip companies. Historically, smaller company stocks have experienced a greater degree of market volatility that the overall market average.
- **Target-Date Funds.** Target-date funds typically invest in other mutual funds and are designed for investors who are planning to retire during the target date year. The fund's target date is the approximate date of when investors expect to begin withdrawing their money. A target-date fund's investment objective/strategy typically becomes more conservative over time primarily by reducing its allocation to equity mutual funds and increasing its allocations in fixed-income mutual funds. An investor's principal value in a target-date fund is not guaranteed at any time, including at the fund's target date.

STATEMENT OF ADDITIONAL DISCLOSURES: RISKS

- **Taxable Bond.** Investments in taxable bonds such as government bonds, long-term and short-term bonds, bank loans, corporate bonds, preferred stock, high-yield bonds, etc. are subject to numerous risks including those relating to reinvestment, inflation, market, selection, timing, and duration.
- **Technology.** Concentrating assets in the technology sector may disproportionately subject the fund to the risks of that industry, including loss of value because of intense competitive pressures, short product cycles, dependence on intellectual property rights, and legislative or regulatory changes.