

## Straight Arrow Financial Group Quarterly Update



**Wishing all our clients a very Happy New Year!**

**Open enrollment season for ACA and Medicare Part D was a success – thank you to everyone for their patience as we spent 6-8 weeks preparing, researching and enrolling our healthcare clients. While it's a hectic time of year for us, we really enjoy being able to help in this capacity.**

**Wrestling season is in full swing!**

**Pete's two sons are wrestling for Cedar Grove/Belgium**

**Mike's son wrestles for Kewaskum**

**Nick coaches the Cedar Grove/Belgium high school and youth wrestling program**

**Quinn is the head coach for the Cedar Grove/Belgium high school team**

**The rest of us in the office get to listen to all their stories... 😊**



### **Dates to keep in mind:**

- Jan. 15<sup>th</sup> – Estimated taxes due (Q4 2025)
- Feb. 2<sup>nd</sup> – Groundhog Day
- Apr. 5<sup>th</sup> – Easter Sunday
- Apr. 15<sup>th</sup> – Tax Day

## Commentary

### Diversified Global Investors Were Rewarded in Q4 and 2025

Diversified global investors were rewarded in Q4 and throughout 2025. The year witnessed a significant shift where foreign equities outperformed domestic markets, precious metals outperformed equities, and the U.S. dollar weakened against foreign currencies.

In the U.S., the S&P 500 Index rose 2.66% in Q4 and 17.88% for the year. Foreign equity markets displayed even stronger performance, as the MSCI ACWI ex USA Index gained 5.05% in the quarter and surged 32.39% in 2025. Bonds also delivered solid returns as the Bloomberg U.S. Aggregate Bond Index returned 1.10% for the quarter and 7.30% for the full year.<sup>1</sup>

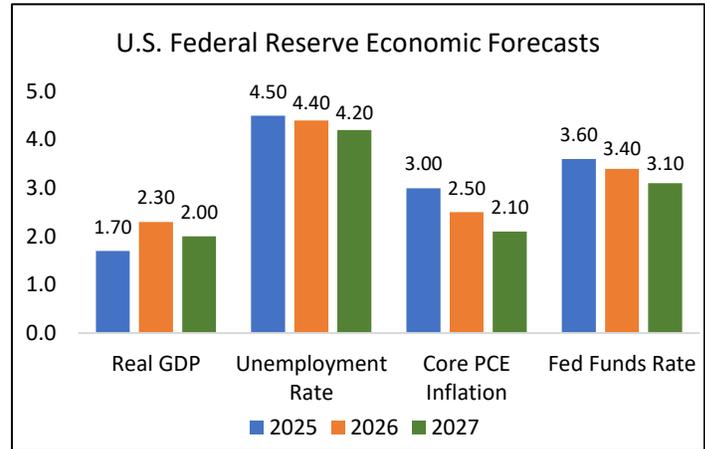
One of the most surprising and strongest-performing asset classes was precious metals. The Bloomberg Gold Subindex rallied 12.22% in the quarter and 62.46% for the year. Silver outperformed gold as the Bloomberg Silver Subindex rallied 50.96% in Q4 for a significant 138.63% return in 2025.<sup>1</sup>

Speculative momentum in 2025 at least partially drove significant asset appreciation across artificial intelligence and precious metals, and through risk-taking in unprofitable companies. Investors may need to exercise greater selectivity in 2026 as this speculative froth could fade and require a renewed focus on fundamentals.

The investment landscape for 2026 continues to be defined by resilience and the Fed's monetary transition. We have moved from an era of combating high inflation with Fed tightening to a period of moderate inflation and normalized interest rates. This shift is supported by an underlying economy that remains fundamentally strong. Financial markets could continue to reward investors if the strong economic environment can persist throughout the new year.

### U.S. Economic Strength Continues

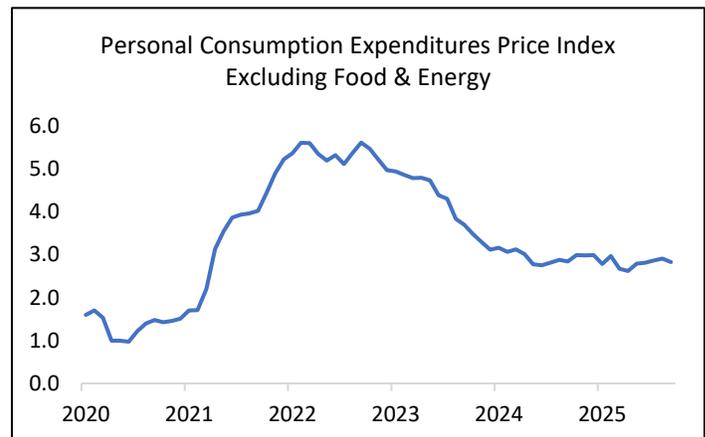
The U.S. economy continues to show strength as the initial Q3 Real GDP growth estimate measured 4.3%. Key drivers included resilient consumer activity, exports and government spending. While business investment in artificial intelligence provided a major boost, private investment in manufacturing and wholesale trade lagged. A decline in imports further benefited the strong GDP number for Q3.<sup>2</sup>



Source: Federal Reserve. Median Forecasts as of 12/20/25.<sup>3</sup>

The recent rally in financial markets can also have a meaningful wealth effect by strengthening household balance sheets. This primarily benefits middle- and upper-income households that hold financial assets. As net worth expands, these consumers feel empowered to sustain discretionary spending regardless of volatility in other economic sectors. This wealth-supported consumption can act as a stabilizer for the broader economy and support corporate earnings.

Resilient economic growth and controlled inflation could provide a constructive backdrop for financial markets in 2026. If economic growth results in inflation above the Federal Reserve's 2% long-term target, the Fed could keep the fed funds rate higher for longer. We did not see a sustained downtrend in inflation throughout 2025. Inflation has remained within the 2.5%-3.5% range, which has been persistently above the Fed's 2% target.

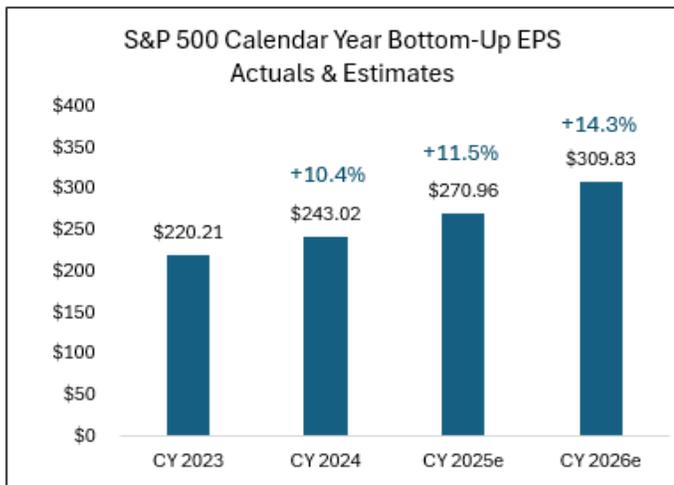


Source: U.S. Bureau of Economic Analysis. FRED. Sep 2025.<sup>4</sup>

Although economic growth is anticipated to persist, the Federal Reserve forecasts diminishing inflation pressures throughout 2026 and 2027. If the data aligns with these projections, the Fed could resume cutting interest rates at some point in 2026.

### Corporate Earnings Growth to Remain Solid

Global corporate earnings growth is anticipated to remain strong in 2026. In the U.S., FactSet consensus estimates project S&P 500 Index earnings per share growth of 14.3% in 2026. This is an acceleration compared to the 11.5% growth estimated for 2025.<sup>5</sup>



Source: FactSet<sup>5</sup>

Middle- and upper-income households continue to demonstrate financial resilience. This stability is critical because consumption comprises nearly 70% of U.S. GDP. Elevated concerns remain due to a softening labor market and sticky inflation that could pressure the finances and confidence of lower-income households in the near term.

Business spending on artificial intelligence infrastructure remains strong. This secular AI theme could be just beginning. Investor focus may soon rotate from AI capital spending toward identifying tangible productivity gains and earnings growth for businesses effectively deploying these powerful tools.

As significant capital chases AI-centric themes, equity valuations in this space may be extended in the short term. Concrete productivity and earnings evidence will be needed for investors to maintain their confidence rather than just relying on speculation and hype.

### Policy Uncertainty and Political Risks

In Q4, the U.S. government endured a 43-day shutdown, which marks the longest in history. Although this did not materially damage the economy or the financial markets, partisan conflict has not abated and remains a key risk factor for 2026.

The One Big Beautiful Bill Act passed in 2025 was designed to stimulate economic activity through tax cuts and accelerated business investment incentives. This legislation could be a powerful tailwind for consumers and businesses that supports durable economic expansion and strong corporate earnings growth.

Washington's failure to renew Affordable Care Act health insurance premium subsidies may trigger a sharp rise in premiums that effectively reduces disposable income for millions of households. This surge in added expenses could act as a drag on discretionary spending power. If these subsidies are not extended or legislation is not passed to curb insurance premium costs, softer consumer spending could negatively weigh on the economy, corporate earnings, and ultimately the financial markets.

Trade tariffs remain a complex factor for investors to navigate in 2026. The Supreme Court is expected to rule on whether President Trump's tariffs are legal as currently implemented. If they are revoked, market volatility could pick up again. The White House may need to restructure the tariffs under different statutes and adjust accordingly. This persistent trade unpredictability could force companies to remain cautious with business planning and might delay economic activity.

The November midterm elections will likely dominate financial headlines in 2026. Markets historically exhibit volatility in the months leading up to the vote due to heightened policy uncertainty. Investors often view divided government favorably because legislative gridlock prevents drastic changes that disrupt business conditions. Current political projections suggest Democrats may gain a majority in the House of Representatives while the Republicans retain the Senate. This political shift could trigger market volatility if investors begin pricing in a less favorable corporate environment should Republicans lose the majority leadership in Congress.

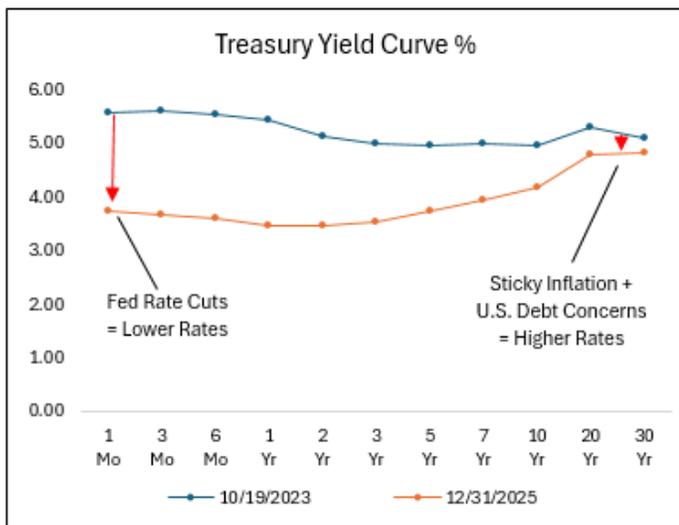
### Monetary Policy: The Fed and the Yield Curve

As was widely anticipated, the Federal Reserve lowered the fed funds rate target range by 25 basis points (0.25%) to 3.50%-3.75% in December. This marked a total reduction of 75 basis points in the fed funds rate for the year, following similar reductions in September and October.

Fed policymakers signaled that rate cuts might be on hold for now as economic growth appears durable and inflation is projected to moderate further. Financial markets are pricing in between one and three additional rate cuts in 2026. This suggests that while the easing cycle has continued, the Fed will likely proceed with caution from here.

The Fed will continue monitoring the labor market for signs of material weakness. The U.S. job market remains in a “low hire, low fire” environment. The U.S. unemployment rate of 4.4% measured in December remains at the lower end of its long-term historical range.

Fiscal debt concerns remain a persistent headwind for the economy. Federal leverage is high and accelerating, representing a structural issue that markets cannot ignore indefinitely. The Department of Government Efficiency (DOGE), established in early 2025 with a mandate to reduce federal spending and improve operational efficiency, no longer appears to be a priority for President Trump’s administration. The U.S. government’s debt is a long-term anchor that could drag on growth if bond vigilantes demand significantly higher yields. If U.S. debt levels continue to expand, interest rates along the yield curve may fail to reach sustainably lower levels from here.



Source: U.S. Department of the Treasury<sup>6</sup>

**Q4 Market Review**

*Equity Markets*

Global equity markets finished strong in the fourth quarter. International equity markets continued their year-long trend of outperforming the U.S. market in 2025.

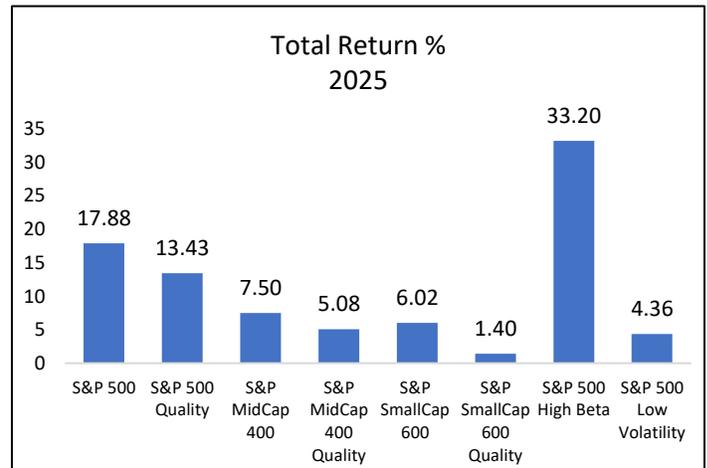
The S&P 500 Index gained 2.66% and the tech-heavy NASDAQ 100 rose 2.47% in Q4. While U.S. mid and small caps generally posted positive returns, they lagged larger companies in the quarter. International equity momentum remained strong in Q4 as the MSCI EAFE Index, which measures developed markets’ equity performance, jumped 4.86% and the MSCI Emerging Markets Index rallied 4.73%.<sup>1</sup>

Global equity investors captured strong rewards in 2025 yet significant price appreciation outpaced actual corporate earnings

growth. This multiple expansion pushed equity valuations higher in the U.S. and internationally. Investors must now carefully weigh the long-term potential for future corporate earnings growth against the near-term risks associated with these now elevated equity valuations.

The 2025 market environment was a bit bifurcated. Strong fundamentals drove outperformance in artificial intelligence-related stocks while mining companies rallied alongside precious metals. There were also significant gains among lower-quality companies. The outperformance of lower-quality companies’ stocks could be a potential warning sign of speculative froth building in the financial markets.

As the chart below illustrates, equity indices focused on higher-quality companies with consistent profitability and healthy balance sheets generally underperformed. High beta stocks, often linked to momentum and speculation, also significantly outperformed throughout 2025. Investors will need to determine if this outperformance in lower-quality companies and high beta stocks can persist or if fundamentals will ultimately dictate returns in the new year.



Source: Morningstar Direct. S&P Indices.<sup>1</sup>

*Bond Markets*

Fixed income markets provided a steady environment for investors in Q4. Income generation rather than price appreciation served as the primary driver for bond returns in the quarter. The investment-grade Bloomberg U.S. Aggregate Bond Index returned 1.10%, while investors willing to accept higher credit risk saw the Bloomberg High Yield Bond Index gain 1.31% in Q4.

The Federal Reserve lowered the overnight federal funds rate twice in Q4 for a total of 50 basis points (0.50%). The broader bond market had largely priced in these rate cuts already and Treasury yields remained range-bound throughout the rest of the yield curve for the quarter.

The U.S. government shutdown during October and November briefly elevated bond market volatility and credit spreads widened slightly. Sentiment recovered quickly once the political stalemate was resolved and credit spreads compressed back to historically tight valuations.

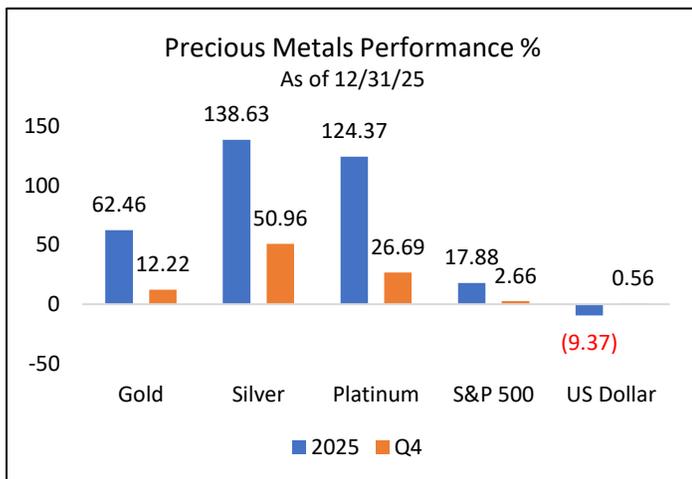
A resilient economic landscape and solid corporate earnings environment could continue throughout 2026. This constructive backdrop could keep investors supporting credit-sensitive bonds. With tight credit spreads and the Fed potentially getting closer to the end of its interest rate cutting cycle in 2026, bond income generation could serve as the primary driver of total return for the year ahead.

*Commodity Markets*

Precious metals outperformed many major asset classes throughout 2025. Gold, often viewed as a hedge against inflation, risk assets and a falling U.S. dollar, finished the year up 62.46%. Silver was up 138.63% for the year.

Investors must ask whether this significant price rally across the precious metals was appropriate, assuming they are used for hedging purposes. Global equity markets remained strong as the S&P 500 Index rose 17.88%. Inflation remained stable in the 2.5%-3.5% range and the U.S. dollar declined a moderate -9.37%. Investors will need to consider if the 62% rally in gold was fundamentally justified.

Speculative interest and momentum trading may have fueled a portion of the significant rally in precious metals. If this strong technical momentum fades or reverses direction, investors should be prepared.



Source: Morningstar Direct. Bloomberg Commodity Subindices.<sup>1</sup>

WTI Crude Oil has remained in a sustained downtrend over the last few years and trades near the \$55-\$60 range as OPEC+ and U.S. oil supply outpace demand. Prices remain suppressed and could force higher-cost producers to cut output to preserve margins.

The U.S. government recently captured Venezuelan President Nicolás Maduro and announced plans to revitalize the country's oil industry using American energy companies. This could create a potential influx of oil supply that may further pressure prices, but this rebuilding would take time.

As the global economy continues to expand, investors will need to monitor global oil supply and demand dynamics, including any potential impact from U.S. involvement in Venezuela.

**WTI Crude Oil Price**



Source: TradingView.com. Weekly data as of 1/6/26.<sup>7</sup>

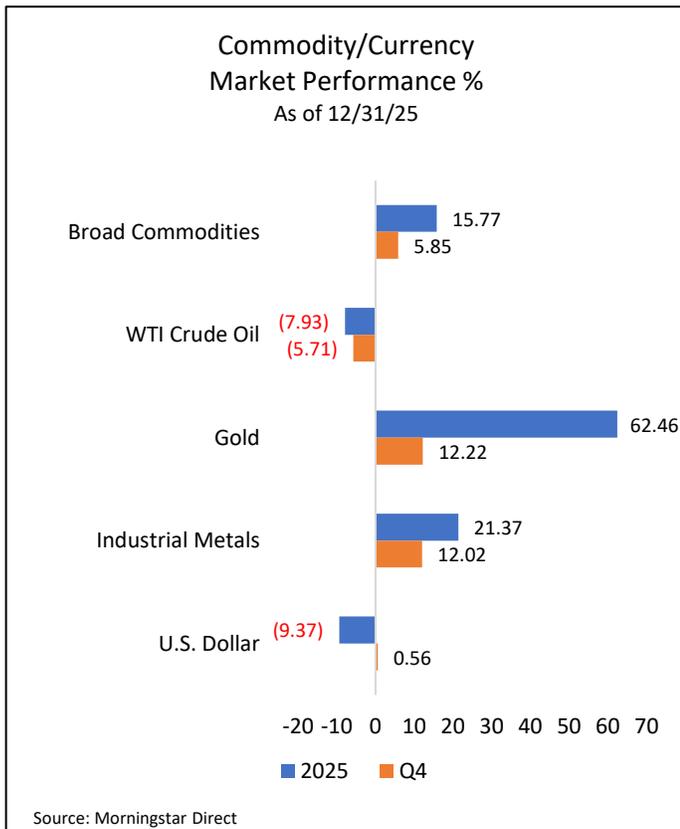
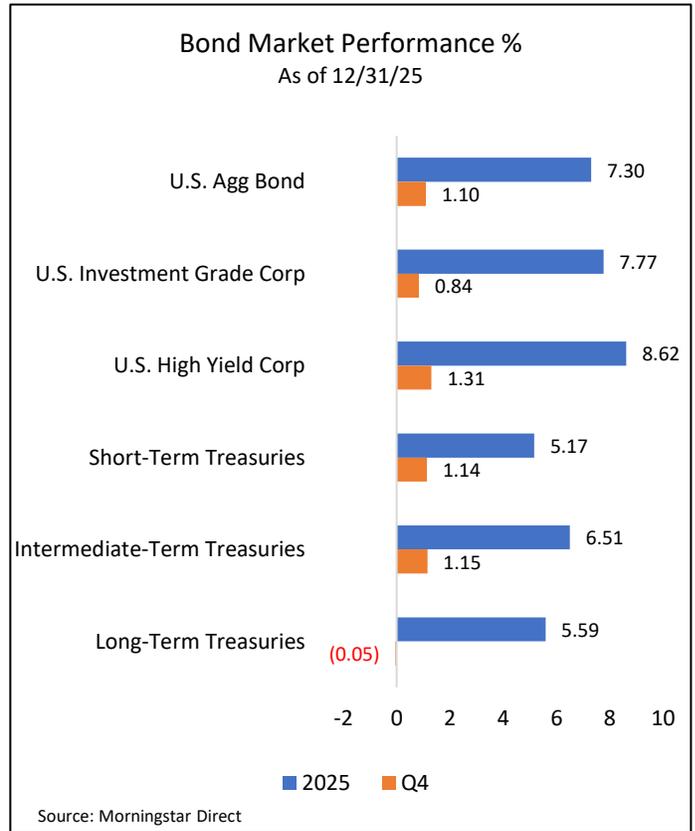
*Currency Markets*

After a brief rally coinciding with the risk-off sentiment surrounding the U.S. government shutdown period in Q4, the dollar has fallen back toward the lower end of its 2025 range. The U.S. Dollar Index declined -9.37% for the full year 2025.<sup>1</sup>

There has been somewhat of a global bond yield shift as the yield advantage of U.S. Treasuries has declined relative to bonds in Europe and specifically Japan, where yields have reached multi-decade highs. Foreign investors may now have less incentive to chase U.S. yields and could increasingly keep their capital in their own domestic markets.

This global bond yield dynamic could put additional pressure on the U.S. dollar as capital flows to the U.S. may not be as aggressive as they had been in the past. The dollar is still anticipated to remain a "safe haven" currency, but it might need a spike in financial market volatility to reverse materially higher from current levels.

MARKET PERFORMANCE



## STRAIGHT ARROW FINANCIAL GROUP MANAGED STRATEGIES

### INCOME STRATEGIES

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

#### Performance Review

The Income strategies were positive in Q4 as global equity, multi-asset income strategies and bond markets rallied. The strongest performance came from our exposure to option income and international dividend growth managers. Exposures to U.S. quality dividend growth, multi-asset income and closed-end funds were also additive. The Income strategies' allocations to mid-cap dividend and global real estate income managers detracted from performance.

Across the Income bond allocations, our overweight to credit-sensitive bond managers contributed positively as credit markets rallied. The strongest performance was from our exposures to tactical bond managers. Our dedicated exposure to an investment-grade, intermediate-term bond manager was additive but underperformed the more credit-sensitive managers.

For our Income – Ultra-Conservative strategy, the structured exposure to short-term bond managers weighed slightly on performance, though our exposure to tactical, credit-sensitive bond managers was a strong contributor. The strategy's structural lack of equity exposure was a detractor relative to more diversified conservative strategies, as equity markets performed well in the quarter.

#### Positioning

##### *Risk Assets*

The Income strategies are constructed to generate higher income through a diversified, multi-asset approach. We also structure the strategies to capture long-term capital appreciation potential. To achieve this balance, we look beyond standard fixed income and allocate across global dividend growth companies and other higher-yielding investments, including global real estate securities, closed-end funds, and option income-based strategies. This approach allows us to layer multiple sources of income, reducing the reliance on any single sector while maintaining exposure to fundamental growth.

##### *Conservative Assets*

Within the Conservative Assets allocation of the Income strategies, we prioritize income generation by maintaining an overweight allocation to credit-sensitive bonds. The strategies are allocated to short- and intermediate-term active bond managers that have the experience and flexibility to actively adjust credit exposure as market conditions provide opportunities.

## TOTAL RETURN STRATEGIES

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

### Performance Review

The Total Return strategies generated positive performance in Q4 as global equities, multi-asset income strategies and bonds rallied. The strongest equity performance came from exposure to value-oriented strategies, international quality large cap, international small cap, and emerging markets. Global core and growth active equity managers also performed well. U.S. quality growth and quality dividend growth managers contributed positively, while dedicated U.S. mid-cap equity exposure lagged. Multi-asset income and closed-end fund strategies were additive but generally lagged core U.S. and international large cap, market cap-weighted equity indices.

In the Total Return taxable bond allocation, our exposure to tactical, credit-sensitive bond managers added value as credit markets generally outperformed. Exposure to investment-grade, intermediate-term bond managers also contributed positively but underperformed the tactical, credit-sensitive strategies. In the Total Return Muni strategies' bond allocation, performance among active muni managers was mixed. Relative results were largely driven by duration positioning, as interest rate-sensitive munis generally outperformed for the quarter.

### Positioning

#### *Risk Assets*

The Total Return strategies are constructed for both capital appreciation and income through diversification. The strategies' equity exposure remains allocated across U.S. and foreign markets and diversified across market cap and investment styles. This can help prevent the strategies from being overly reliant on any single factor for growth. To generate additional income, the strategies maintain exposure to tactical, multi-asset income and closed-end fund strategies.

#### *Conservative Assets*

The Total Return strategies utilize a diversified approach to bond investing that relies heavily on active bond managers. We allocate a portion of the allocation to bond managers focused on high-quality, investment-grade debt to provide core bond exposure. We also allocate to more flexible, tactical bond managers that can tactically adjust risk exposure across bond sectors and credit quality as market conditions develop. We believe this blend of core exposure and flexibility gives the strategies an opportunity to successfully manage through various bond market environments.

## U.S. CORE STRATEGIES

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

### Performance Review

The U.S. Core strategies advanced in Q4 as U.S. equity and bond markets rallied. The strongest performance was from our exposure to a value-oriented equity manager, followed by passive exposure to the S&P 500 Index. Allocations to large cap quality growth and quality dividend growth companies were also additive. Exposure to mid- and small cap managers lagged, as higher-quality, core mid- and small caps generally underperformed large cap stocks in the quarter.

In the U.S. Core strategies' taxable bond allocation, exposure to active bond managers was additive. The strongest performance was from our positions in tactical, credit-sensitive bond managers. Our exposure to core, investment-grade bond managers was also a positive, but they lagged the more tactical managers. In the U.S. Core Muni strategies' bond allocations, performance was mixed as active muni bond managers with longer duration generally outperformed, while managers underweight duration underperformed.

### Positioning

#### *Risk Assets*

The U.S. Core strategies provide broad U.S. equity exposure through a mix of traditional market cap-weighted and factor-based indices, along with actively managed strategies. We emphasize diversification across various investment styles (growth, core, value) and market cap, maintaining a bias toward higher-quality companies that have solid balance sheets with sustainable growth potential.

#### *Conservative Assets*

The U.S. Core strategies maintain a diversified bond allocation across various sectors, credit qualities, and maturities. We continue to favor actively managed core and tactical bond managers for the portfolios. We believe these bond managers possess the depth of resources and experience necessary to successfully navigate the complexities of the evolving bond market.

## SOURCES

1. Morningstar Direct. Performance provided as total returns. U.S. Mid Caps is defined by the Russell Mid Cap TR USD index. U.S. Small Caps is defined by the Russell 2000 TR USD index. U.S. Growth is defined by the Russell 3000 Growth TR USD index. U.S. Value is defined by the Russell 3000 Value TR USD index. International Developed is defined by the MSCI EAFE NR USD index. Emerging Markets is defined by the MSCI Emerging Markets NR USD index. U.S. Agg Bond is defined by the Bloomberg U.S. Aggregate Bond TR USD index. U.S. Investment Grade Corp is defined by the Bloomberg U.S. Corporate Investment Grade TR USD Index. U.S. High Yield is defined by the Bloomberg High Yield Corporate TR USD index. Broad Commodities is defined by the Bloomberg Commodity TR USD index. WTI Crude Oil is defined by the Bloomberg Sub WTI Crude Oil TR USD Index. Gold is defined by the Bloomberg Sub Gold TR USD Index. Industrial Metals is defined by the Bloomberg Sub Industrial Metals TR USD Index. Short-Term Treasuries defined by the Bloomberg 1-3 Yr U.S. Treasury TR USD index. Intermediate-Term Treasuries defined by the Bloomberg Intermediate U.S. Treasury TR USD Index. Long-Term Treasuries defined by the Bloomberg Long-Term U.S. Treasury TR USD Index.
2. U.S. Bureau of Economic Analysis. *Gross Domestic Product, 3rd Quarter 2025 (Initial Estimate) and Corporate Profits (Preliminary)*. 12/23/25. Retrieved from <https://www.bea.gov/news/2025/gross-domestic-product-3rd-quarter-2025-initial-estimate-and-corporate-profits>
3. U.S. Federal Reserve. *Federal Open Market Committee Economic Projections*. 12/10/25. Retrieved from <https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20251210.htm#xt1p1f4>
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5. FactSet. *Earnings Insight*. 12/19/25.
6. U.S. Department of the Treasury. *Daily Treasury Rates*. Retrieved from [home.treasury.gov](https://home.treasury.gov).
7. TradingView.com. *WTI Crude Oil*. Retrieved from <https://www.tradingview.com/chart/S5oI8Odc/?symbol=TVC%3AUSOIL> 1/6/26.

## DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Alternative Strategies:** Alternative strategies refer to investments or investment styles that often incorporate non-traditional tactical investing methods, including, but not limited to, technical analysis, shorting, arbitrage, utilizing leverage and short-term tactical trading. Alternative strategies may also be referred to by their investment style categories, including, but not limited to, long/short

equity, hedged equity, managed futures, unconstrained, and global macro. Alternative strategies may perform very differently from traditional asset classes, thus investors must be aware of the potential for widely differentiated performance relative to traditional stock and bond markets over shorter periods of time.

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

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

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

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

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

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

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

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

## IMPORTANT DISCLOSURES

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

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

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

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

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

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

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

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

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

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

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

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