Straight Arrow Financial Group Quarterly Update

Please Welcome to the Office…

We've added a new face to the office. Please welcome Cass Kalnins to the Straight Arrow Family. She is an addition to the Admin team and you will be sure to meet her either on the phone or stop by her office when you're here. She's looking forward to meeting you!

Pete's son, Chase, graduated from Cedar Grove-Belgium High School this year. He's headed to Whitewater this fall.

Dates to keep in mind:

- Aug 15th – Client Appreciation Picnic
- Sept. 7th – Labor Day (office closed)
- Oct 15th – Part D Open Enrollment Begins
- Nov 1st – ACA Open Enrollment Begins

Commentary

Equities and Bonds Rally, Oil Declines in Q2

In the second quarter, global equity and credit markets rebounded from first-quarter weakness as the U.S.-Iran conflict transitioned into a series of intermittent ceasefires and ongoing attempts at de-escalation. President Trump's initial ceasefire announcement on April 7 sparked a risk-on environment that persisted throughout the quarter.

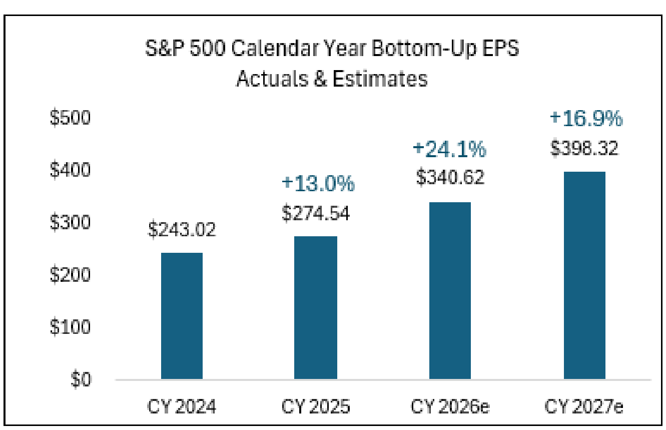
In Q2, the S&P 500 Index rallied 15.20%, while the technology-heavy NASDAQ 100 Index posted a 27.74% gain.[1] Investors continued to show their appetite for investments related to artificial intelligence, propelling AI-related stocks significantly higher in the quarter.

With the potential for de-escalation in the Middle East, energy prices have declined significantly from their recent peaks as the worst fears of supply disruption have eased. West Texas Intermediate crude oil fell from a high of approximately $120 per barrel in early March to below $70 per barrel in late June, but the situation remains fragile.

This steep drop in energy prices served as a catalyst for the broader financial markets. Cheaper oil can directly translate to lower transportation and input costs for businesses while providing relief to consumers at the gas pump. This easing of lingering inflationary pressures helped push interest rates lower from their highs and added to the bullishness in equities. For the time being, investors may remain focused on the underlying strength of the global economy and corporate fundamentals.

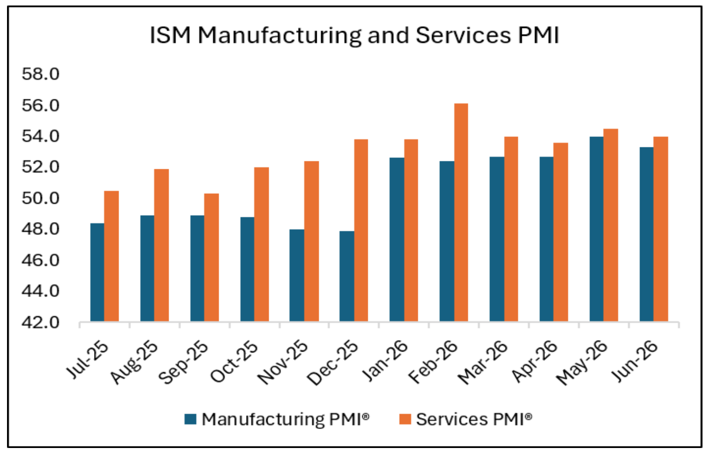
Economic Stability but Inflation Pressures Persist

From a fundamental perspective, a resilient U.S. economy paired with strong corporate earnings growth continues to support bullish momentum in equities. According to FactSet, analysts project over 20% year-over-year earnings growth for the S&P 500 Index this year and continued growth into 2027.[2]



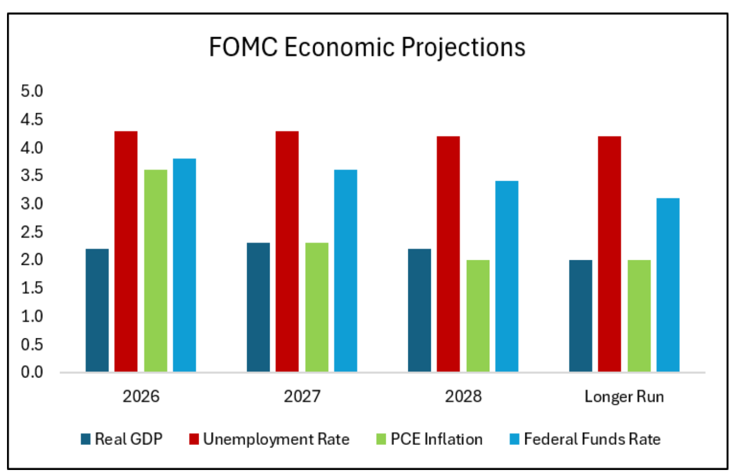
Source: FactSet[2]

Recent macroeconomic data shows resilience in the U.S. economy. Based on the June 2026 Purchasing Managers' Index reports from the Institute for Supply Management, both the U.S. manufacturing and services sectors remain in expansion territory, with readings of 53.3 and 54.0, respectively. A PMI reading above 50 indicates economic growth. A stable economy could provide a solid foundation for corporate fundamentals, and investors could continue to support equity and credit markets accordingly.



Source: Institute for Supply Management [4,5]

The U.S. economy and labor market are anticipated to remain supportive, but inflation is currently hovering above the Federal Reserve's long-term target of 2%. The recent spike in energy prices, combined with heavy capital expenditures and demand tied to the artificial intelligence infrastructure buildout, suggests that inflationary pressures could stay for longer than anticipated. This may lead the Federal Reserve to maintain a tighter monetary policy for longer.



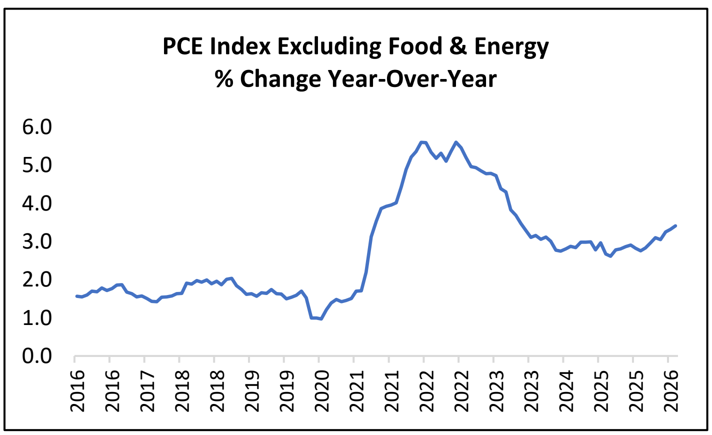
Source: Federal Reserve[3]

New Fed Chairman and a Hawkish Tilt

Recent commentary from new Federal Reserve Chairman Kevin Warsh and other Fed governors indicates a potentially hawkish tilt and a desire to manage monetary policy to keep inflation in check. This leaves the door open for a potential rate hike rather than the series of rate cuts that market participants widely anticipated at the beginning of the year.

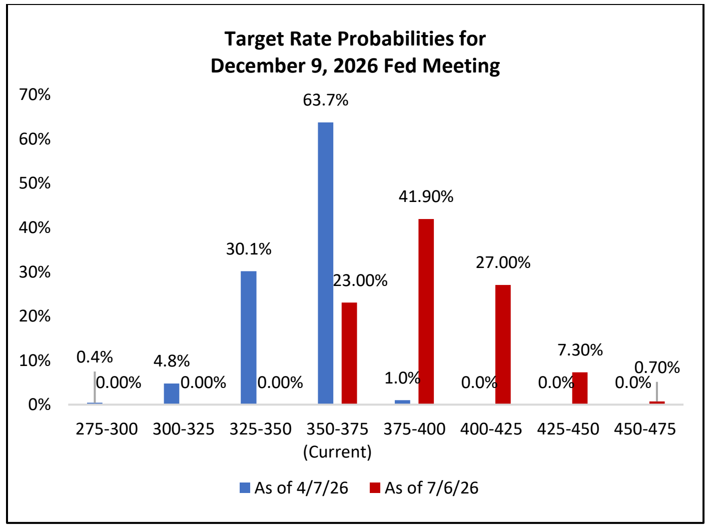
Chairman Warsh appears to favor a communication style that provides fewer explicit insights and less forward guidance than what investors grew accustomed to under his predecessor, Jerome Powell. By reducing this transparency, Chairman Warsh may be introducing an environment where market participants need to rely more on raw data rather than explicit central bank guidance. This structural shift in communication could result in higher uncertainty and more volatility in the bond markets.

Inflation has remained stubbornly sticky. The Personal Consumption Expenditures (PCE) price index excluding food and energy (Core PCE), serves as a key inflation metric for the Federal Reserve because it strips out volatile energy and food components to reveal long-term pricing trends. The May 2026 Core PCE Index reading showed an increase of 3.4% year-over-year, continuing an upward trend over the last few months. The broader Consumer Price Index for May, which does include food and energy costs, jumped to 4.2% on a year-over-year basis. Both measures remain above the preferred 2% long-term inflation target set by the Federal Reserve.



Source: U.S. Bureau of Economic Analysis. FRED.[6]

This persistent pricing pressure may ultimately force the Federal Reserve to either maintain the current federal funds rate target range of 3.50% to 3.75% or implement an additional rate hike to reduce inflation pressures. As it currently stands, the federal funds futures market is pricing in at least one rate hike before the end of the year. This is a significant reversal from the market narrative in early April, when investors were still pricing in a Fed rate cut.



Source: CME Group[7]

Looking Ahead to the Second Half

It has been a strong start to the year for equity and bond investors, but macroeconomic uncertainties remain. The U.S.-Iran conflict has not been fully resolved. Questions regarding the return on investment for artificial intelligence initiatives are being raised. A potentially less transparent Federal Reserve under new Chairman Kevin Warsh and the upcoming U.S. midterm elections are key political factors investors will need to navigate.

If economic and corporate strength persists and investors can look past these short-term market uncertainties, they could continue to be rewarded as we move through the second half of the year.

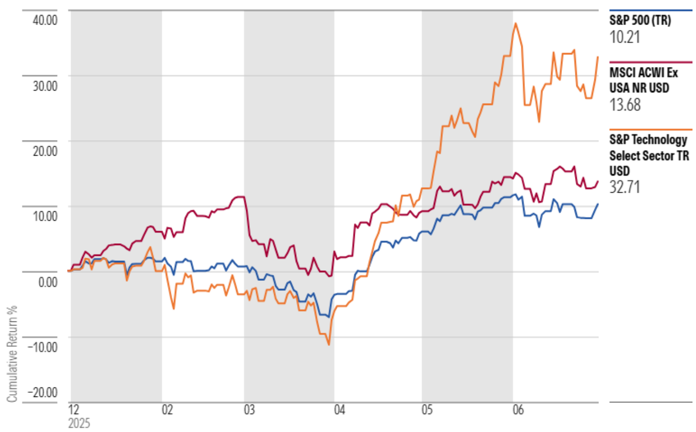
Q2 Market Review

Equity Markets

Following the equity market weakness in Q1 from the U.S.-Iran conflict, U.S. equity markets rallied in Q2 as investors were optimistic that the U.S.-Iran conflict could be contained.

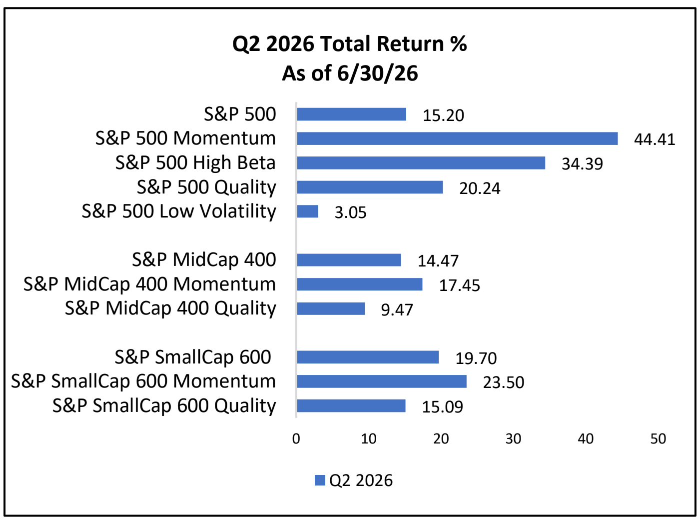
The S&P 500 Index rebounded 15.20% and the NASDAQ 100 Index rallied 27.74% in Q2. Investors continued to aggressively support AI infrastructure-related companies in semiconductors, memory and networking businesses, pushing these companies' stock prices significantly higher. Small cap stocks, which can have higher sensitivity to the U.S. economy and are often favored by momentum traders, performed very well in Q2, with the Russell 2000 Index up 21.41% in the quarter.

YTD Performance (as of 6/30/26)



Source: Morningstar Direct[1]

High-momentum and high-beta stocks significantly outperformed in Q2. It remains to be seen whether this speculative and momentum-driven market environment will persist, or if parts of the equity market have overshot their fundamental potential over the short term.



Source: S&P Indices. Morningstar Direct[1]

International markets were mixed in Q2. The MSCI EAFE Index, measuring foreign developed equity markets, was slightly negative at -0.65% in the quarter. The MSCI Emerging Markets Index, which has quickly become concentrated in AI-related semiconductor and memory companies in Asia, rallied 24.05% in the quarter.[1]

Global economic and corporate fundamentals still appear solid. Equity valuations remain elevated relative to history, but strong underlying earnings growth has kept price-to-earnings multiples from eclipsing recent highs. This setup may be enough for investors to continue to support global equities to higher levels.

Bond Markets

U.S. bonds delivered generally positive results in the second quarter. Treasury yields were volatile and shifted slightly higher throughout the quarter as inflation remained stubbornly persistent. This caused investors to start considering the potential for the Federal Reserve to raise the federal funds rate, which resulted in the Treasury yield curve shifting higher.

During the second quarter, the U.S. 10-year Treasury yield reached a high of roughly 4.67% before ending the quarter at 4.44%. The longer-term 30-year Treasury yield closed the quarter at 4.91%.[8] Although rising interest rates initially pressured bond valuations during the quarter, bond income generation helped to protect total return.

At the start of Q2, credit spreads had widened due to rising geopolitical tensions between the U.S. and Iran. As investors started to believe that the conflict could be somewhat contained, demand for riskier corporate debt increased, and credit spreads tightened. A resilient macroeconomic environment and solid corporate earnings growth also provided a strong fundamental backdrop for underlying corporate credit markets.

Looking at broader bond market performance, the investment-grade-focused Bloomberg U.S. Aggregate Bond Index returned 0.67% in Q2. The more credit-sensitive and volatile Bloomberg High-Yield Bond Index returned 2.47%. This high-yield bond performance marked a strong rebound from the credit weakness experienced earlier in the year.

Interest rates have maintained their recent higher levels, and credit spreads remain tight relative to historical averages. For now, bond investors may be positioning for income generation rather than anticipating capital appreciation from falling interest rates and credit spread tightening.

Commodity Markets

The potential easing of geopolitical tensions between the U.S. and Iran has resulted in significant price reversals in both oil and precious metals in Q2.

The unpredictable nature of ongoing negotiations between the U.S. and Iran has created significant volatility within global energy markets. At the beginning of this geopolitical conflict, West Texas Intermediate crude oil prices experienced a price spike from the low $50 per barrel range to roughly $120 per barrel in March. Since then, there has been a series of negotiations and on-again, off-again ceasefires taking place.

Over the last few months, investors have attempted to look past the immediate geopolitical uncertainties. Market participants are increasingly assuming that both the U.S. and Iran ultimately want to reach an agreement to prevent severe oil supply constraints and avoid further price shocks. This shift in market psychology has caused oil to trend significantly lower, falling below $70 per barrel in late June, driven by the belief that oil supplies will come back online in the near future.

While questions remain regarding the ultimate resolution of the U.S.-Iran conflict and whether full oil production can be sustained to meet global demand, investors will need to keep a close eye on declining oil storage levels. Investors will need to see if global supply chains can return to their previous capacity and whether balance can return to the global energy markets.

WTI Crude Oil Price

Source: TradingView.com[9]

In our previous quarterly commentaries, we expressed concern that gold and silver prices may have been trading largely on short-term price momentum and speculation. We suggested that a cautious approach to gold and silver might be warranted.

Gold experienced extreme volatility throughout the first and second quarters as the significant upward price momentum from last year eventually faded. From its high of almost $5,600 per ounce reached in late January of this year, gold quickly declined almost 30% as it fell below $4,000 an ounce. It has since bounced from that level. Gold investors will need to be able to navigate what appears to be an increasingly volatile, momentum-driven market environment.

Gold Price

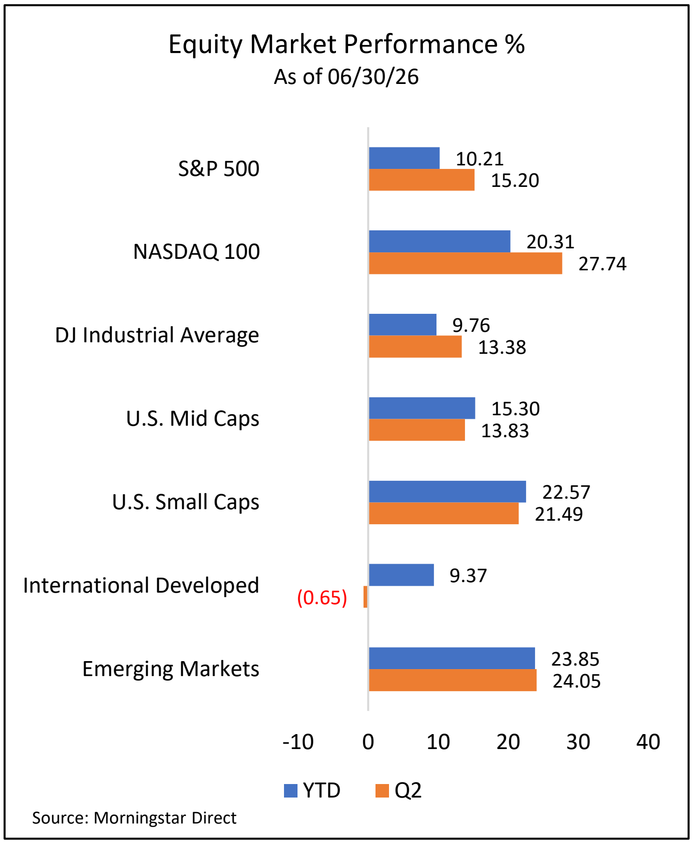
Source: TradingView.com[10]

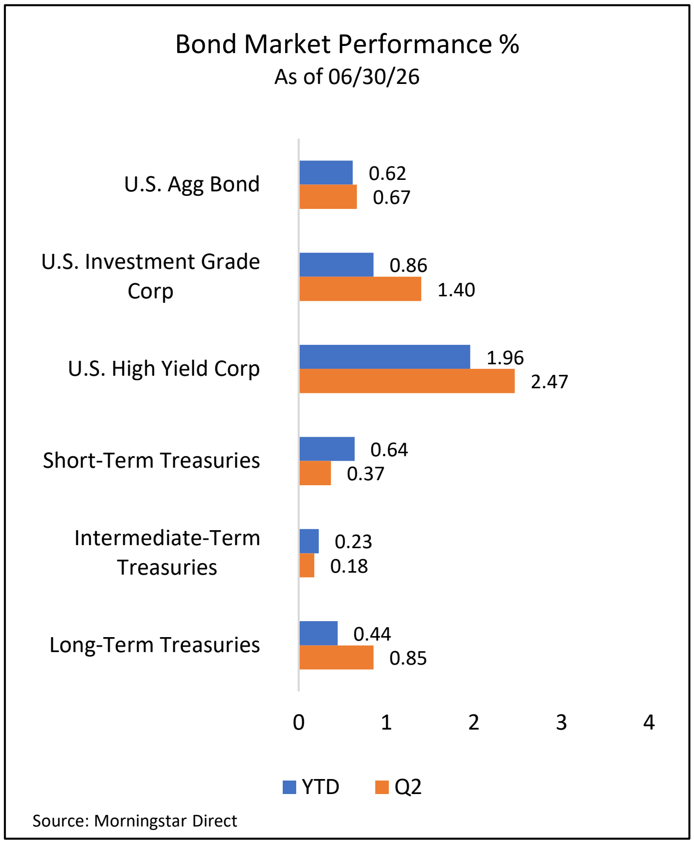
Currency Markets

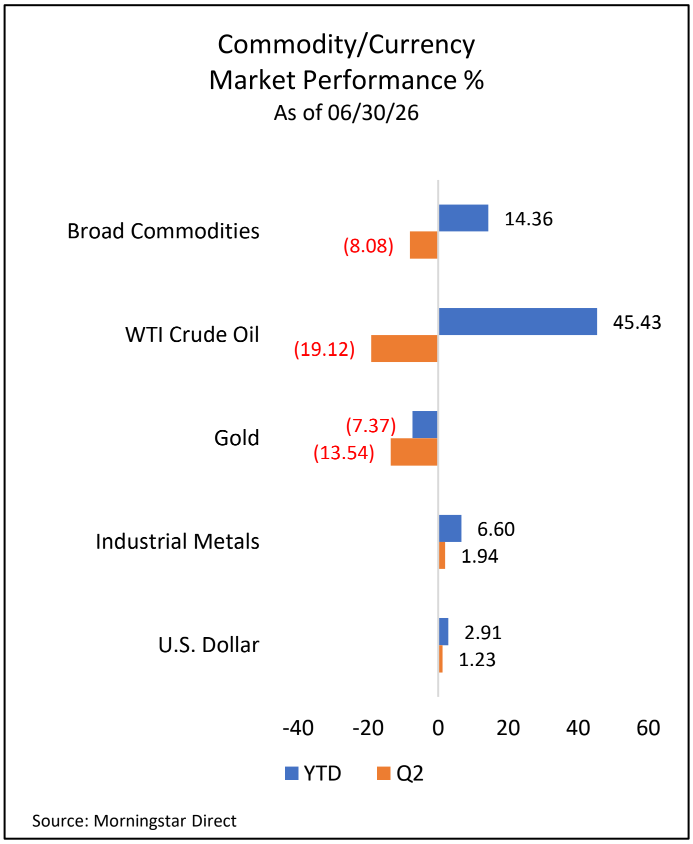
The U.S. dollar has shown some strength this year. The U.S. Dollar Index rallied 1.23% in Q2 and is up 2.91% for the year.[1] The U.S. dollar historically acts as a "safe haven" asset during periods of elevated geopolitical uncertainty. The risks tied to the U.S.-Iran conflict may have provided support for the U.S. dollar this year.

The U.S. economy remains fundamentally strong, which can attract foreign capital to U.S. assets, particularly with the added excitement driven by U.S. artificial intelligence-related companies. Sticky inflation in the U.S. has also led bond markets to price in the potential for higher interest rates for longer. This combination of solid economic growth and higher bond yields relative to other developed countries could continue to drive support for the U.S. dollar.

MARKET PERFORMANCE







STRAIGHT ARROW FINANCIAL 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 rallied in Q2 as investors supported income-generating assets and credit-sensitive bonds. Within our equity allocation, the strongest contributors to performance included our positions in valuation-sensitive equity option-income, U.S. dividend growth, U.S. mid cap dividend, international dividend growth, closed-end funds and global real estate income strategies. Our positions in tactical multi-asset income and core U.S. large cap option-income strategies were also positive contributors in Q2, but they lagged the other strategies in the quarter.

Within the Income strategies' bond allocations, our allocation to credit-sensitive bond managers was a key driver of performance in Q2, as credit-sensitive bonds rebounded from the weakness experienced in Q1. Our strongest contributors to performance in Q2 were our exposures to tactical credit-sensitive bond managers. Our positions in a core, investment-grade manager and a short-duration credit-sensitive manager were positive, but they lagged the tactical managers in Q2.

Our Income – Ultra-Conservative strategy also rallied in Q2 as positioning in credit-sensitive, short-term and tactical bond managers generated positive performance. All positions contributed positively in the quarter, but our positions in credit-sensitive, tactical bond managers outperformed our positions in short-term bond managers in Q2.

Positioning

Risk Assets

The Income strategies seek to generate current income while pursuing long-term capital appreciation. Portfolio exposure is distributed across a wide range of income-generating assets, including global dividend-paying equities, real estate securities, credit-sensitive bonds, closed-end funds, and option-based strategies. By taking a multi-asset, multi-strategy approach, the portfolio reduces its reliance on any single asset class while attempting to meet its income and growth objectives.

Conservative Assets

Within the conservative portion of the Income strategies, we prioritize income generation by maintaining an overweight position in credit-sensitive bonds. The Income strategies utilize active short- and intermediate-term bond managers who have the ability to dynamically adjust their risk exposures. This active management approach attempts to generate yield while navigating evolving bond market environments.

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 Q2 as global equity and bond markets rallied. The strongest contributors to equity performance in Q2 were exposures to diversified emerging markets, U.S. large and mid cap growth, global growth, passive exposure to the S&P 500 Index, and U.S. dividend growth equity strategies. Other positive contributors in the quarter were equity exposures to international small cap and global value strategies, but these areas generally underperformed the other equity exposures in the quarter. Our dedicated allocations to multi-asset income strategies were also beneficial in Q2, but these positions lagged the other pure equity strategies in the quarter.

In the Total Return strategies' taxable bond allocation, performance was led by exposures to credit-sensitive, tactical bond managers as credit markets rallied in Q2. Our positions in core, investment-grade-focused bond managers were also positive contributors, but these positions lagged the tactical bond managers in the quarter. In the Total Return Muni strategies' bond allocation, the strongest contributor was our exposure to a tactical, credit-sensitive municipal bond manager. Our positions in core municipal bond managers were also additive, but they trailed the credit-sensitive municipal bond manager in Q2.

Positioning

Risk Assets

The Total Return strategies target a mix of capital appreciation and income through global diversification. Equity exposure is spread across both U.S. and international markets, diversified by market capitalization and investment style. To increase income generation, we incorporate allocations to closed-end funds alongside a tactical, multi-asset income manager. We believe this blend of global equity exposure and income generation could help provide some balance across changing market environments.

Conservative Assets

The Total Return strategies are allocated to active bond managers for diversified exposure across the fixed-income markets. The allocation balances core bond managers with tactical managers capable of dynamically adjusting their risk exposures depending on the market environment. We believe this combined approach gives the Total Return strategies the flexibility needed to navigate short-term uncertainties while maintaining long-term objectives.

In Q2, we replaced an intermediate-term taxable bond manager with another actively managed, core, intermediate-term bond ETF strategy. Also in Q2, within our Total Return Muni strategies, we transitioned from an actively managed, core, intermediate-term municipal bond manager to another actively managed, core, intermediate-term municipal bond ETF manager. We believe these manager changes allow the Total Return taxable and municipal bond exposures to be actively managed for potential success over the long term.

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 rallied in Q2 as U.S. equities and bonds generated positive performance. The strongest contributors to performance in Q2 included exposure to mid cap growth, passive exposure to the S&P 500 Index, quality small caps and quality large/mid cap growth equity strategies. Exposure to an actively managed value manager was also a positive contributor but the positions lagged the other equity strategies in the quarter.

In the U.S. Core strategies' taxable bond allocation, our exposures to tactical, credit-sensitive bond managers were significant contributors to performance in the quarter. Our exposures to core, intermediate-term bond managers also added to performance in Q2, but these positions lagged the tactical bond managers. In the U.S. Core Muni strategies' muni bond allocations, our position in a tactical municipal bond manager was the strongest contributor. Positive contributions also came from our core, intermediate-term municipal bond managers, but they lagged the tactical municipal bond manager in Q2.

Positioning

Risk Assets

The U.S. Core strategies provide exposure to U.S. equities by blending traditional market-capitalization and factor-based indices with active strategies from third-party investment managers. The portfolio provides broad diversification across growth, core, and value investment styles, as well as various market capitalizations. We believe a diversified equity approach with a preference for growing, higher-quality companies can act as a strong foundation for long-term investors.

Conservative Assets

The U.S. Core strategies focus on providing broad U.S. bond exposure across sectors, credit quality, and maturities. We prefer to allocate to active core and tactical bond managers who we believe have the deep experience that is vital for navigating today's shifting fixed-income markets. We believe taking an active bond management approach has the potential to better navigate through various credit cycles.

In Q2, we replaced an intermediate-term taxable bond manager with another actively managed, core, intermediate-term bond ETF strategy. Also in Q2, within our U.S. Core Muni strategies, we transitioned from an actively managed, core, intermediate-term municipal bond manager to another actively managed, core, intermediate-term municipal bond ETF manager. We believe these manager changes allow the U.S. Core taxable and municipal bond exposures to be actively managed for potential success over the long term.

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. IG Corp USD 300 M TR USD Index. U.S. High Yield is defined by the Bloomberg High Yield Corporate TR USD index. Broad Commodities is defined by the Bloomberg Commodity TR USD index. WTI Crude Oil is defined by the Bloomberg Sub WTI Crude Oil TR USD Index. Gold is defined by the Bloomberg Sub Gold TR USD Index. Industrial Metals is defined by the Bloomberg Sub Industrial Metals TR USD Index. Short-Term Treasuries defined by the Bloomberg 1-3 Yr U.S. Treasury TR USD index. Intermediate-Term Treasuries defined by the Bloomberg Intermediate U.S. Treasury TR USD Index. Long-Term Treasuries defined by the Bloomberg Long-Term U.S. Treasury TR USD Index.
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3. Federal Open Market Committee. *Summary of Economic Projections June 17, 2026* https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20260617.htm
4. Institute for Supply Management. *June 2026 ISM® Manufacturing PMI® Report* https://www.ismworld.org/supply-management-news-and-reports/reports/ism-pmi-reports/pmi/june/
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9. TradingView.com. *WTI Crude Oil.* Retrieved 7/8/26 from https://www.tradingview.com/chart/S5oI8Odc/?symbol=TVC%3AUSOIL
10. TradingView.com. *Gold*. Retrieved 7/8/26 from https://www.tradingview.com/chart/S5oI8Odc/?symbol=TVC%3AGOLD

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit Risk: Credit risk refers to the risk of default on debt, where the borrower fails to pay, and the lender may lose a portion, or all 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 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 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 stocks 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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