Entasis
ASSET MANAGEMENT

Quarterly Chartbook
1Q2022

Founder Comments

The converging factors of extended stock valuations, particularly in the technology sector, rising interest rates and the Russian invasion of Ukraine created a volatile first quarter and it has carried over to the second quarter. After several years of generally favorable market conditions, this has been a difficult period for client portfolios.

In this environment, two things have been critical to our conversations about portfolio positioning. First, we have discussed the importance of maintaining a risk averse posture within the equity portion of client portfolios. In the pages that follow you will hear us emphasize larger companies, dividend payers, consistent earners and areas of the stock market with lower valuations. We believe the combination of those factors should dampen volatility in client portfolios. Portfolios will not be immune to risk, but those broadly risk averse characteristics generally retain capital better in difficult periods. Over a long-term time horizon, capital retention is critical to compounding wealth.

Second, we have discussed risk management in the fixed income portion of client portfolios. We know this level of volatility in bonds is particularly unique, so we have taken the time in this update to really dig into that portion of client accounts. The special section we have created covers recent bond returns, the long-term sources of return in the bond market, the impact of rising rates and the importance of fixed income in a diversified asset allocation.

We hope you find the content useful to understanding our portfolio positioning. If you would like to jump to a specific idea, you can click on any of the links and ideas on the next page. As always, we appreciate any feedback you might have. Communication transparency is a foundational principle of our firm. We are available anytime to dive into the details of this presentation and your specific situation.

Table of Contents

Special Topic – Investing in Bonds & Asset Allocation

Market Performance

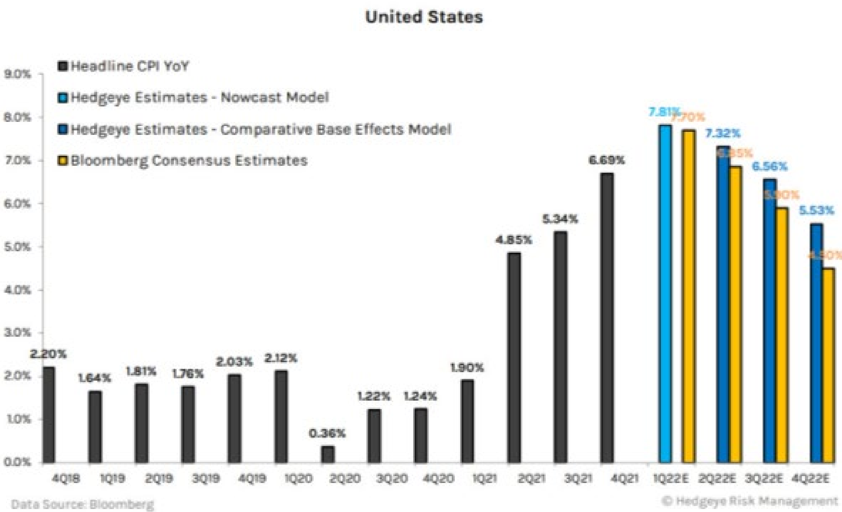
Annualized % Returns (As of 04/30/2022)

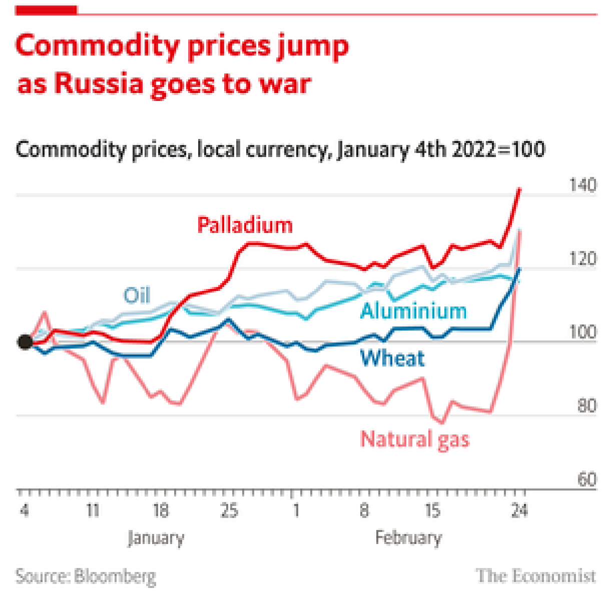
Index Name	Index Category	1 year	3 year	5 year	10 year
S&P 500 Index	Large Cap Stocks	0.21	13.85	13.66	13.67
Russell 1000 Index	Mid/Large Cap Stocks	-2.10	13.57	13.44	13.53
Russell 1000 Growth Index	Growth Stocks	-5.35	16.68	17.28	15.56
Russell 1000 Value Index	Value Stocks	1.32	9.58	9.06	11.17
Russell 2000 Index	Small Cap Stocks	-16.87	6.73	7.24	10.06
MSCI EAFE Index	Non-U.S. Developed Market Stocks	-8.15	4.44	4.77	5.77
MSCI Emerging Markets Index	Emerging Markets Stocks	-18.33	2.24	4.32	2.89
MSCI ACWI Ex USA Small Cap Index	Non-U.S. Small Cap Stocks	-10.53	7.01	5.83	6.66
BofAML Preferred Stock Fixed Rate Index	Preferred Stocks	-10.10	1.07	2.39	4.53
Barclays Municipal Bond Index	U.S. Municipal Bonds	-7.88	0.46	1.80	2.48
Barclays Aggregate Bond Index	U.S. Bonds	-8.51	0.38	1.20	1.73
Barclays Intermediate U.S. Gov/Credit Index	Government/Corporate Bonds	-6.48	0.75	1.27	1.55
BofAML U.S. Treasury Master Index	Treasury Bonds	-7.23	0.48	1.02	1.29
BofAML U.S. Mortgage Backed Securities Index	Mortgage Backed Bonds	-8.96	-0.59	0.54	1.27
BofAML U.S. Corporate Master Index	Corporate Bonds	-10.14	1.04	2.05	3.01
BofAML U.S. High Yield Master II Index	High Yield Bonds	-4.96	2.61	3.54	5.19
BofAML Euro Broad Market Index	European Bonds	-20.14	-3.53	-0.74	0.00
BofAML Local Debt Market Plus Index	Emerging Markets Bonds	-11.55	-0.34	0.96	0.11

Calendar Year % Returns (YTD as of 04/30/2022)

	YTD	2021	2020	2019	2018	2017
S&P 500 Index	-12.92	28.71	18.40	31.49	-4.38	21.83
Russell 1000 Index	-13.59	26.45	20.96	31.43	-4.78	21.69
Russell 1000 Growth Index	-20.03	27.60	38.49	36.39	-1.51	30.21
Russell 1000 Value Index	-6.34	25.16	2.80	26.54	-8.27	13.66
Russell 2000 Index	-16.69	14.82	19.96	25.52	-11.01	14.65
MSCI EAFE Index	-12.00	11.26	7.82	22.01	-13.79	25.03
MSCI Emerging Markets Index	-12.15	-2.54	18.31	18.44	-14.58	37.28
MSCI ACWI Ex USA Small Cap Index	-12.55	12.93	14.24	22.42	-18.20	31.65
BofAML Preferred Stock Fixed Rate Index	-11.82	2.24	6.95	17.71	-4.34	10.58
Barclays Municipal Bond Index	-8.82	1.52	5.21	7.54	1.28	5.45
Barclays Aggregate Bond Index	-9.50	-1.54	7.51	8.72	0.01	3.54
Barclays Intermediate U.S. Gov/Credit Index	-6.42	-1.44	6.43	6.80	0.88	2.14
BofAML U.S. Treasury Master Index	-8.59	-2.38	8.22	6.99	0.80	2.43
BofAML U.S. Mortgage Backed Securities Index	-8.38	-1.21	4.09	6.51	1.00	2.45
BofAML U.S. Corporate Master Index	-12.33	-0.95	9.81	14.23	-2.25	6.48
BofAML U.S. High Yield Master II Index	-7.96	5.35	6.07	14.41	-2.27	7.48
BofAML Euro Broad Market Index	-15.26	-9.66	13.35	4.11	-4.39	14.61
BofAML Local Debt Market Plus Index	-9.57	-6.53	4.50	16.44	-4.90	14.71

Source: Morningstar Direct





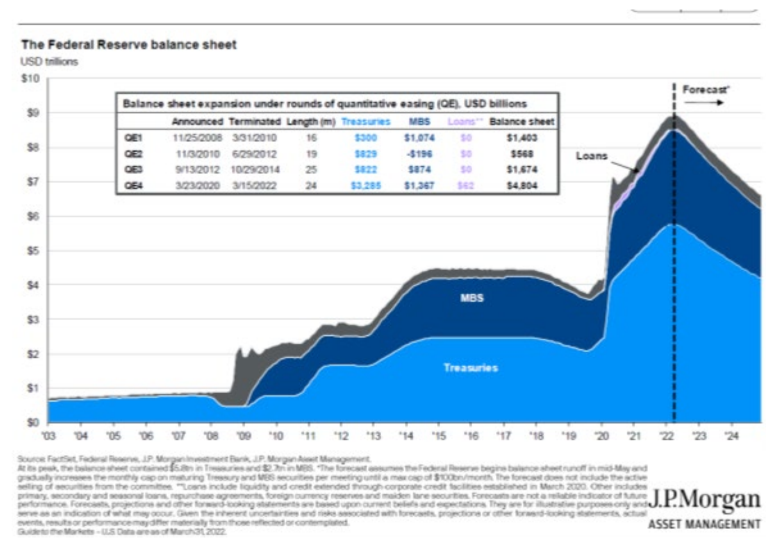
Inflation ticked higher in the first quarter, reaching almost 8% on a year-over-year basis. Monthly numbers were even higher.

Coming into the quarter, multiple indicators suggested inflation might roll over and begin to decelerate, but the war in Ukraine added another market stressor, causing inflation to accelerate further.

We believe inflation will moderate as supply chain issues subside and comparisons make acceleration (year-over-year) more difficult, but it is likely that inflation will remain elevated.

Fixed Income – Interest Rates

Source: Baird

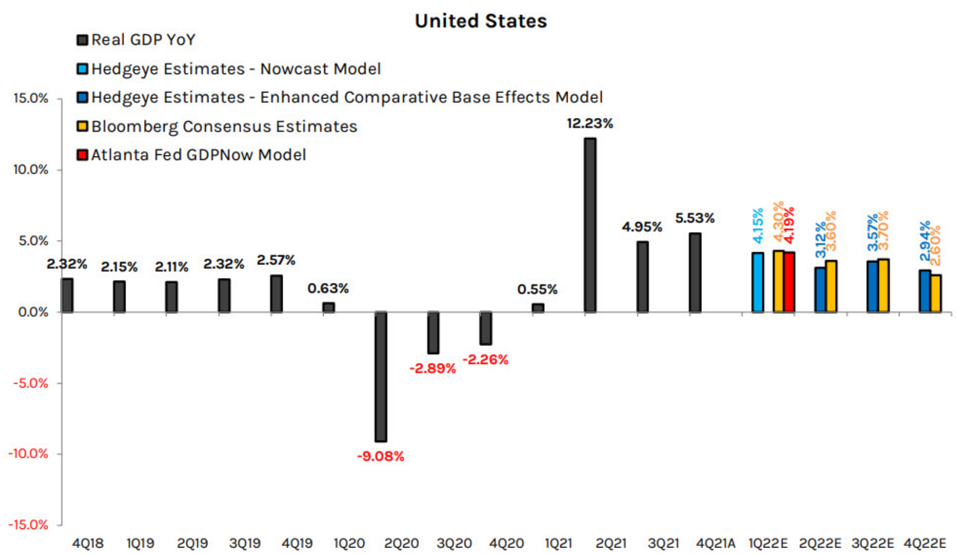


Source: JPMorgan

The U.S. Federal Reserve (Fed) approved its first interest rate hike since 2018 in the first quarter.

- It is anticipated that the Fed will hike rates to 2.75% during 2022 and 2023.
- The hikes are expected to be front loaded with 50bps (0.5%) rate hikes during the next two meetings.
- The Fed is also planning to reduce the size of its balance sheet (quantitative tightening).
- The pace and size of rate hikes will likely be balanced with recession risks and the health of the labor market.

US Real GDP YoY Projections



Source: Bloomberg, Hedgeye

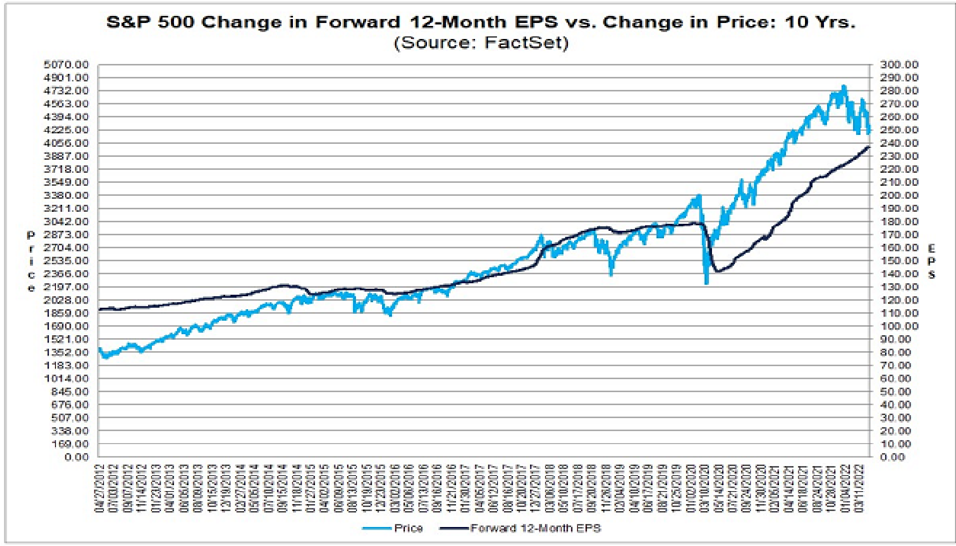
U.S. economic growth weakened in the first quarter and the domestic economy is facing a very difficult stimulus-fueled growth comparable in the second quarter. The absence of record Federal Government spending (pandemic support and stimulus) will reduce its input to growth by over $1 trillion.

If the Fed is forced to tighten more aggressively than projected to combat inflation, the economy could fall into recession.

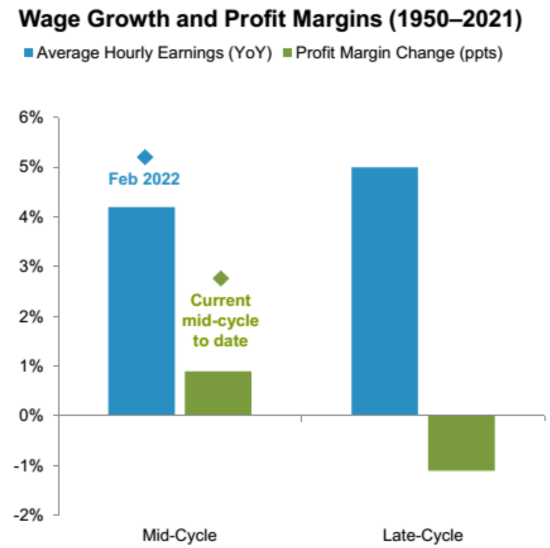
Fixed Income - Positioning

Bond Type	Positioning Notes Compared to Client Benchmarks
Government	We maintain a modest underweight to U.S. Treasury bonds. We prefer bonds that offer a higher yield than Treasuries but are using Treasuries as a risk mitigating holding if credit spreads widen in a poor economic scenario.
Securitized Asset	We continue to generate the bulk of our yield advantage from our overweight to securitized assets. In the current environment, securitized asset generally offer higher yield per unit of risk than other bonds.
Investment Grade Credit	We maintain an underweight to corporate bonds. Despite recent spread widening (yields higher compared to Treasuries), we continue to remain cautious on corporate debt given their longer maturities and low historical spreads. We look to add corporate exposure when spreads are wide relative to history.
High Yield & Bank Loan	Small allocation. We rely on mutual fund managers to emphasize unique opportunities.
International	Small allocation. Negative rates in many non-U.S. developed countries make them uninvestable. Select emerging market opportunities offer good relative value.
Municipal	We continue to be constructive on municipal securities in tax aware portfolios given their strong fundamentals. The ratio of income that can be earned in municipal bonds compared to Treasuries is attractive.

Overall, portfolios are positioned to generate a higher yield than our benchmarks while taking similar interest rate risk. We have a bias to add longer maturity bonds if the market prices in lower economic growth projections. We are cautious on investment grade corporates and high-yield corporate bonds. We prefer to gain our yield advantage through actively-managed mutual funds with an emphasis in securitized assets.



Source: FactSet Earnings Insight – April 29, 2022



Source: Fidelity Quarterly Market Update – 2Q 2022

Earnings pushed higher over the past two quarters, albeit at a slower pace than during the stimulus-fueled growth following the global pandemic in 2020 into 2021.

- Earnings growth benefited largely from a spike in profit margins in 2021.
- When the U.S. economy moves from a "mid-cycle" to "late-cycle" phase, rising wages tend to cause corporate profit margins to decline.
- The combination of economic stagnation, tepid revenue growth (in aggregate) and declining profit margins, may lead to a further deterioration in corporate earnings (relative to current expectations).

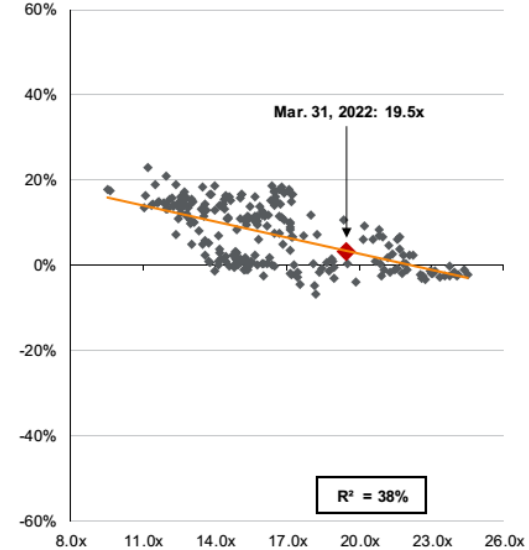
Despite the recent market selloff, equity prices remain elevated compared to future earnings growth estimates. Over the long-term, equity prices tend to follow the path of corporate earnings.

Equity – U.S. Valuations

S&P 500 Index: Forward P/E ratio

Source: JP Morgan Asset Management – Guide to the Markets 2Q 2022

Forward P/E and subsequent 5-yr. annualized returns
S&P 500 Total Return Index



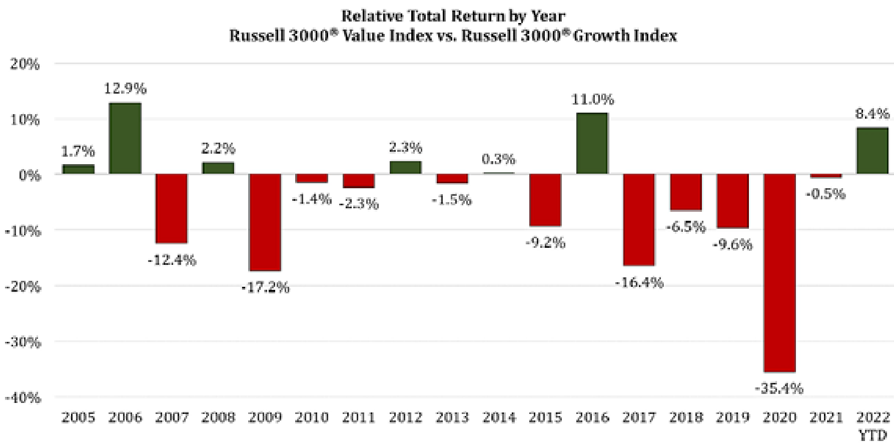
Source: JP Morgan Asset Management – Guide to the Markets 2Q 2022

The U.S. equity market has declined from peak levels, but valuation levels remain elevated relative to history.

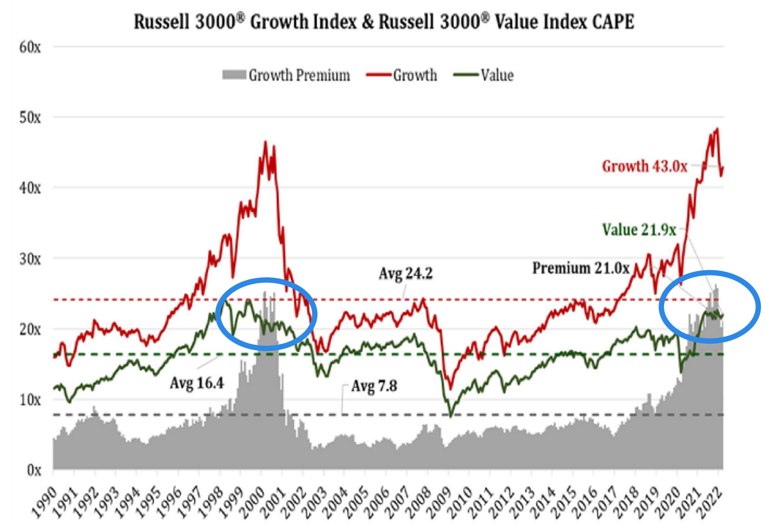
- The forward P/E of the S&P 500® Index was 19.5X at quarter-end, which is above the 25-year average. In general, valuation levels expand in anticipation of strong earnings growth and decline when expectations moderate or decline.
- Valuation levels are not a good predictor of short-term market movements. Over longer timeframes they are a better indicator of equity market returns (i.e., as valuations increase, subsequent 5-year expected market returns decrease, and vice versa).

We continue to believe future U.S. equity returns will be muted compared to equity returns that were experienced following the global financial crisis. If we were to see U.S. equity returns decline further from current levels, the prospect of more attractive future returns would increase. Our positioning within the equity portion of client portfolios reflects this outlook.

Equity – U.S. Style



Source: Equity Investment Corporation



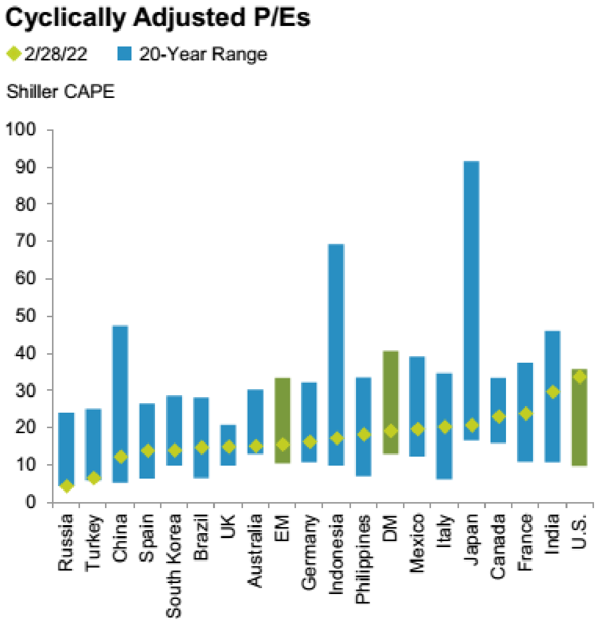
Source: Equity Investment Corporation

U.S. growth stocks have consistently outperformed value stocks since 2006 (upper left bar chart displays relative calendar year returns of the Russell 3000® Value Index compared to the Russell 3000® Growth Index).

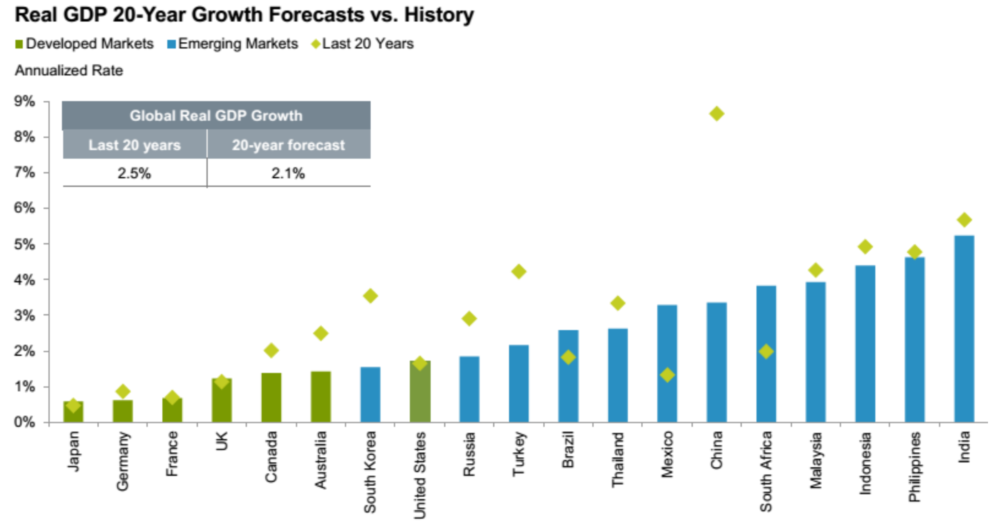
- Growth stock dominance has been particularly pronounced since 2017.
- Strong returns for growth stocks has led to extreme valuation levels, especially compared to value stocks (upper right).
- Even with recent weakness for growth stocks, the "growth premium" (compared to value stocks) remains at levels not seen since the technology boom/bust in the late 1990's into 2000 (upper right, blue circles).

We believe select U.S. value stocks may provide better downside protection compared to the broad U.S. equity market and U.S. growth stocks. Furthermore, we believe U.S. value stocks have the potential to outperform growth stocks by a relatively meaningful margin over the short- to intermediate-term.

Equity – Non-U.S. Valuations



Source: Source: Fidelity Quarterly Market Update – 2Q 2022



Source: Source: Fidelity Quarterly Market Update – 2Q 2022

Not all areas of the global equity market are expensive compared to history. Non-U.S. stocks, particularly emerging markets stocks, are relatively attractive given future growth prospects.

- U.S. stocks continue to be expensive compared to their range of valuation levels over the past 20 years (bar chart, upper left). However, developed foreign markets ("DM") and emerging markets ("EM") are relatively inexpensive when compared to the U.S. equity market and relative to their own 20-year valuation range.
- Emerging markets economies (upper right, blue bars) are expected to grow at a higher rate compared to the U.S. and other developed foreign countries (upper right, green bars) over the next 20 years. This may provide support for more attractive rates of earnings growth in these markets.

Based on attractive valuations, a positive earnings outlook, and a positive macroeconomic backdrop, we believe emerging markets equities may provide investors with relatively attractive returns over the intermediate- to long-term.

Equity – Active vs. Passive Investment Managers

Source: Neuberger Berman – Investment Quarterly, Spring 2022

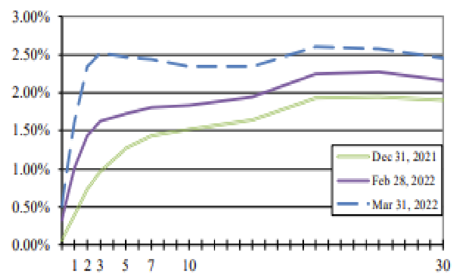
Strong gains among U.S. growth stocks, particularly over the past 5+ years, has led broad equity market indices to be significantly concentrated in a small number of stocks.

- At the end of 2021, only five stocks (Apple, Microsoft, Amazon, Tesla and Meta/Facebook) accounted for nearly 40% of the Russell 1000 Growth Index. It was a similar story for the broad market S&P 500 Index, where the top five stocks (Apple, Microsoft, Amazon, Alphabet A/Google and Tesla) accounted for nearly 25% of the index.
- In our opinion, the degree of concentration in only a handful of stocks has led U.S. growth and broad market indices to be less diversified than many investors may think. In turn, we believe there is elevated risk (compared to history) that investors should be aware of when investing in passively-managed broad market index products.

The less diversified nature of many broad market equity indices has led us to construct portfolios with less exposure to passively-managed broad market equity investments (as a percentage of equity) than in the past.

Special Topic – Bond Returns

Treasury Yields



Maturity	12/31/21	2/28/22	3/31/22	1Mo Chg	Q1 Chg
3 Mo	0.06%	0.32%	0.51%	0.19%	0.45%
1	0.39%	1.01%	1.62%	0.61%	1.23%
2	0.74%	1.44%	2.34%	0.90%	1.60%
3	0.96%	1.63%	2.52%	0.89%	1.56%
5	1.27%	1.72%	2.46%	0.74%	1.19%
7	1.44%	1.81%	2.44%	0.63%	1.00%
10	1.51%	1.83%	2.34%	0.51%	0.83%
30	1.91%	2.17%	2.45%	0.28%	0.54%

Source: Baird

Historical Bond Market Drawdowns

Rank	Depth (Total Return)	Price Return	Coupon Return	Peak	Valley	10 Year Yield Change (bps)
1	-12.74%	-17.47%	4.74%	7/31/79	2/29/80	+371
2	-9.00%	-21.25%	12.25%	6/30/80	9/30/81	+575
3	-8.08%	-9.31%	1.39%	8/3/21	3/25/22	+130
4	-6.56%	-8.29%	1.73%	1/28/94	5/9/94	+185
5	-6.30%	-6.38%	0.08%	3/9/20	3/19/20	+60

Source: Bloomberg & TCW

Inflation remained a focal point for the Fed and markets in the first quarter and April.

Chairman Powell underscored that subsequent 50 bps (0.50%) hikes and an earlier start of runoff from the Fed's nearly $9T balance sheet may be necessary to combat inflation in the coming months. As of publication of this chartbook, the Fed did, in fact, raise rates by 50bps in May.

In response, 2–10-year Treasury yields rose sharply. Quarterly increases were an outsized 160 bps and 83 bps, respectively. The yield curve flattened significantly and ended the quarter with 2-year and 10-year bonds nearly the same.

The increase in rates led to one of the worst quarters for the bond market on record. The Bloomberg U.S. Aggregate Bond Index (Agg), was down almost -6% in the first quarter and nearly -8% from its recent peak. This represented the third worst result for the index since its inception in 1976.

Returns fell further in April as yields rose even further. At month-end the Agg was down -9.5% year-to-date.

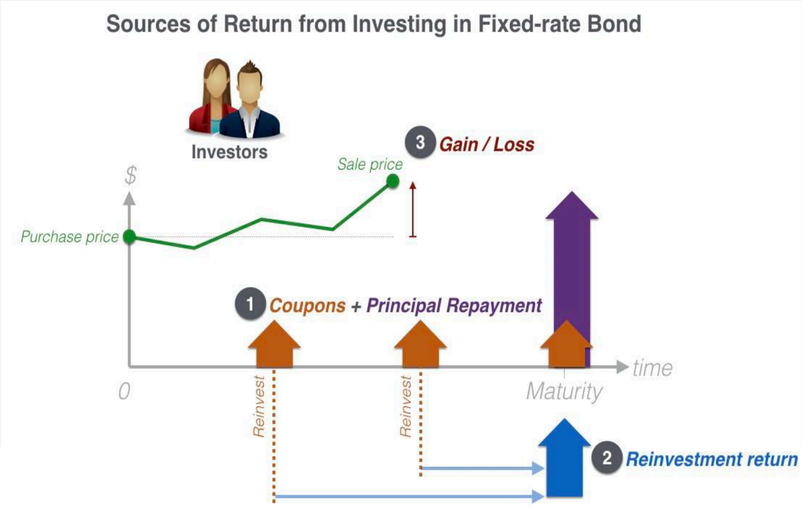
Special Topic – Bond Return Sources

Bond returns are primarily influenced by four factors.

1. **Price** – Bonds can be sold on a secondary market prior to maturity (loan repayment date). As a result, their prices are influenced by the prevailing interest rate for a newly-issued bond with similar characteristics.
    a) When market-based interest rates go up, bond prices on the secondary market go down. When market-based interest rates go down, bond prices on the secondary market go up. Bonds with long maturities are the most sensitive.
    b) Bond price changes are only realized if sold prior to maturity, or a default occurs.

2. **Income** – Bonds are very similar to loans. They are a contractual agreement for the use of capital in exchange for interest. The interest earned in a bond transaction is the primary driver of return over the long-term. Interest earned in a bond transaction is referred to as a coupon payment.
    a) Bond interest rates are determined at issuance (initiation of the contract) and are influenced by market risk factors.
    b) Bond interest rates required by the market generally increase as risks increases.

3. **Reinvestment** – As interest (coupon payments) is collected during the life-cycle of a bond, it can be reinvested to enhance returns. The reinvestment return is influenced by the prevailing interest rate when coupon payments are received. Reinvestment returns can be thought of as compound interest.

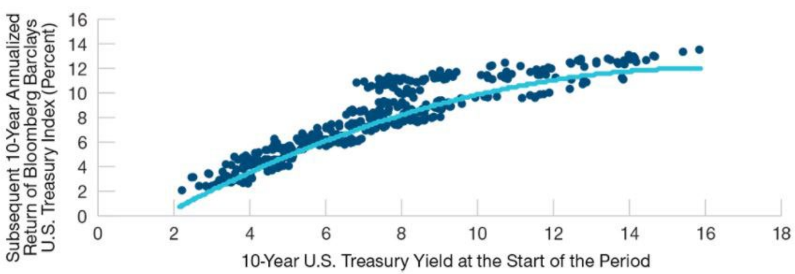


Source: Prepnuggets.com

4. **Principal Repayment** – Generally, bond contracts are written so the lender receives the original amount borrowed in full on the maturity date. If payment is not received, the bond is considered to be in default.

U.S. 10-YEAR TREASURY BOND YIELD VS. SUBSEQUENT RETURN OF U.S. TREASURY

(Fig. 1) Subsequent Annualized 10-Year Return and Indicative Trend Line
As of September 30, 2020.



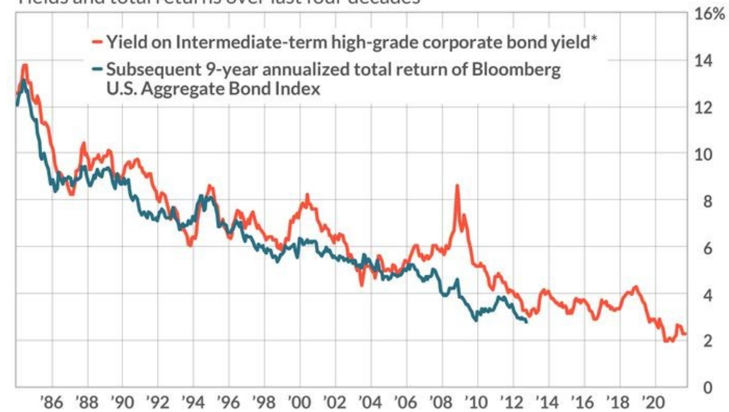
Past performance is not a reliable indicator of future performance.

Source: Bloomberg (see Additional Disclosure). All data analysis by T. Rowe Price.

Based on month-end 10-year U.S. Treasury yields over the period 1/31/1973 through 7/30/2010 and annualized return of the Bloomberg Barclays U.S. Treasury Index over the corresponding subsequent 10-year period.

Long-term total return equals starting yield

Yields and total returns over last four decades



*Yield on high quality corporate bonds rated AAA, AA, or A with 10 years maturity

Source: U.S.Treasury, St. Louis Federal Reserve, FactSet, Hulbert Ratings LLC

The Price return of bonds this year has been very challenged. However, as noted on the last page, price is only one component of bond total return. Coupon payments for the balance of the year still need to be collected.

After the recent shift upward in interest rates, the yield on the Bloomberg U.S. Aggregate Bond Index is nearing an annualized 3.50% (as of 04/29/22).

If interest rates were to stabilize at April month-end levels, the total return of the Agg would improve by the coupon payments received over the last 8 months of the year. To be sure, returns for 2022 would still be negative, but as higher coupons continue to accumulate, total returns in future years will improve.

Fixed income returns are highly correlated to their starting yield over the long run (see charts above). Over the recent past, yields were historically low, which limited bond returns. As yields shift higher, long-term bond returns have the potential to improve.

Special Topic – Asset Allocation

Despite the recent sell off in bonds, we think they continue to play a very important role.

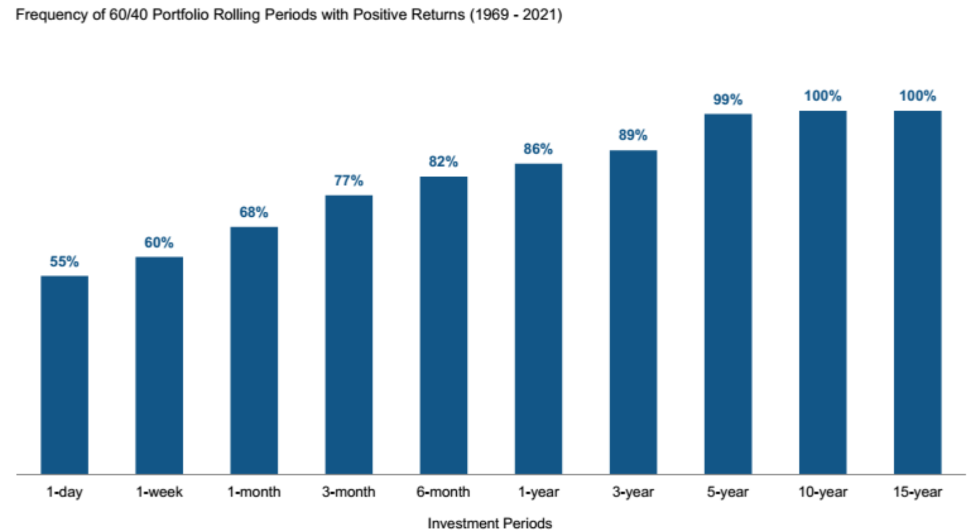
Bonds generate a steady and consistent income stream and tend to protect against negative economic scenarios or shocks to the financial system.

Over the last 70 years, the worst 1-year drawdown in investment grade fixed income was fives times less than the worst 1-year drawdown for stocks.

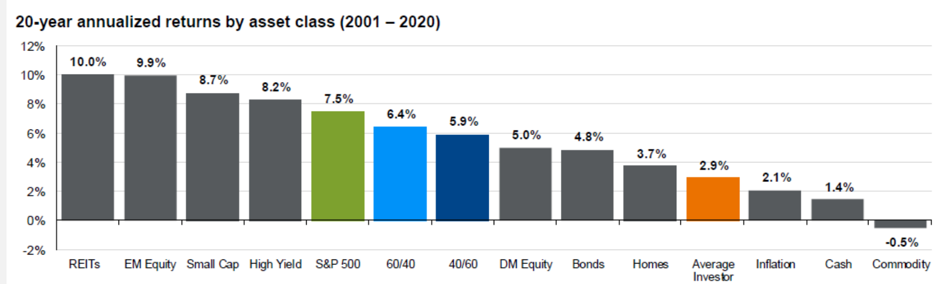
Proper diversification and rebalancing can lead to better outcomes over the long-term. The bar chart top right displays the returns of a “60/40” portfolio (60% U.S. equity and 40% fixed income) over various timeframes, along with the percentage of time a 60/40 portfolio produced a positive return for investors.

Over short timeframes (1-day, 1-week, 1-month, 3-month, and 6-month) the frequency of negative returns is higher. However, as timeframes increase to the intermediate-term (1-year, 3-year and 5-year), and especially the long-term (10-year and 15-year), positive returns are significantly higher if a portfolio with stocks and bonds is used – between 86% to 100% of the time.

The future could be different, but we believe the theme will hold true. And as the lower chart indicates, acting emotionally and selling can lead investors to underperform stocks and bonds.



Source: Goldman Sachs Asset Management



Source: Bloomberg, FactSet, Standard & Poor's, J.P. Morgan Asset Management; (Bottom) Dalbar Inc, MSCI, NAREIT, Russell.
Indices used are as follows: REITs: NAREIT Equity REIT Index, Small Cap: Russell 2000, EM Equity: MSCI EM, DM Equity: MSCI EAFE, Commodity: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Bonds: Bloomberg U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Cash: Bloomberg 1-3m Treasury, Inflation: CPI. 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high-quality U.S. fixed income, represented by the Bloomberg U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior.
Guide to the Markets – U.S. Data are as of March 31, 2022.

J.P.Morgan
ASSET MANAGEMENT

Our Team

We are an investment firm, founded by investors.

Bob Batchelor, CFA®, CFP® is Co-Founder and Chief Executive Officer of Entasis Asset Management. Bob has 23 years of experience in the investment industry. Prior to founding Entasis, Bob worked at Artisan Partners where he held a variety of roles including Head of Corporate Communications, Managing Director, Head of Marketing and Technology and Head of Marketing and Communications. He also served as a member of Artisan Partners Executive Committee. Before Artisan Partners, Bob worked at Strong Capital Management as Client Account Manager and Director of Investment Research and Communication.

Bob holds an M.B.A. from Marquette University and a B.B.A. from the University of Wisconsin-Madison. He has earned the right to use the CFA designation. Bob is a member of the CFA Institute and CFA Society of Milwaukee. Bob has also earned the right to use the Certified Financial Planner™ certification.

Charles (C.J.) Batchelor, CFA® is Co-Founder and Chief Investment Officer – Equity of Entasis Asset Management. C.J. has 18 years of experience in the investment industry. Prior to founding Entasis, C.J. worked at Cleary Gull, a multi-billion dollar investment advisory firm, as Director of Investment Research. He also served as a voting member of Cleary Gull's Investment Policy Committee, Investment Committee and Equity Strategy Group.

C.J. holds a B.B.A. in Finance from the University of Wisconsin-Milwaukee. He has earned the right to use the CFA designation. C.J. is a member of the CFA Institute and CFA Society of Milwaukee, where he currently serves on the Board of Directors.

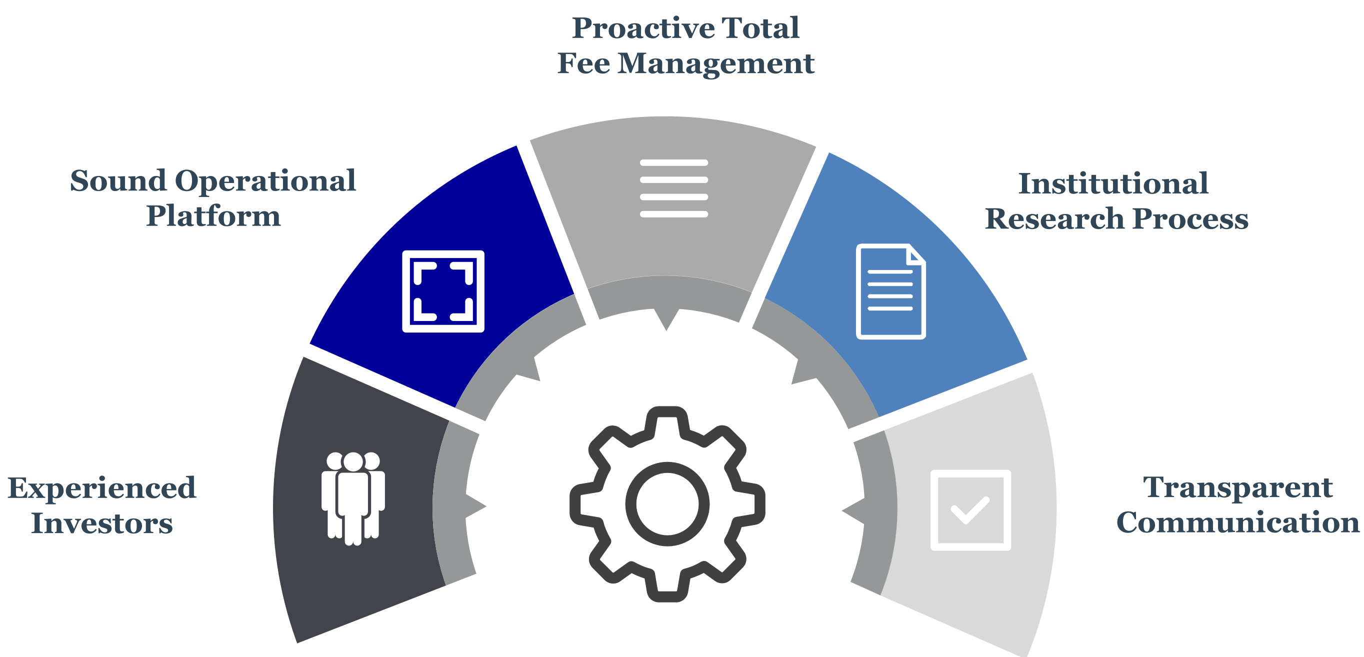
Mike Peters, CFA® is Co-Founder and Chief Investment Officer – Fixed Income of Entasis Asset Management. Mike has 18 years of experience in the investment industry. Prior to founding Entasis, Mike worked at Cleary Gull, a multi-billion dollar investment advisory firm, as Fixed Income Portfolio Manager. In his role he served as a voting member of Cleary Gull's Fixed Income Strategy Group and Complement (Alternative) Strategy Group. Before Cleary Gull, Mike worked for several years at Madison Investment Advisors, a multi-billion dollar asset management firm, as a Fixed Income Analyst.

Mike holds a B.B.A. in Finance from the University of Wisconsin-Milwaukee. He has earned the right to use the CFA designation. Mike is a member of the CFA Institute and CFA Society of Milwaukee.

David LaCroix is a Senior Financial Advisor at Entasis Asset Management. David has more than 50 years of experience in the investment industry. Prior to joining Entasis, David worked at Cleary Gull Advisors, a Johnson Financial Group Company, and Cleary Gull Inc., a prior affiliate of Cleary Gull Advisors, where he most recently served as Vice President, Relationship Manager responsible for high net worth clients. Before Cleary Gull, David worked in a variety of portfolio management and client relationship management positions with A.G. Edwards and M&I Capital Markets Group.

David received his M.B.A. and B.B.A. in Finance from the University of Wisconsin-Madison. He has served as a member of the Archdiocese of Milwaukee Investment Committee, as a Trustee for the Village of Shorewood and as Director/Treasurer of Milwaukee Summerfest.

The Entasis Difference



Disclosure

IMPORTANT INFORMATION

Statements may be forward looking and are not intended as specific investment advice without further review of individual circumstances. Commentary, opinions, analysis, and recommendations may be subjective, do not guarantee future performance, and could change at any time without notice. Under no circumstances does the information contained within represent a recommendation to buy or sell any security. Charts and graphs provided are for illustrative purposes only.

This information is provided for informational purposes only and does not constitute individualized financial advice or create an advisor-client relationship. This newsletter is published for the exclusive use of our clients and friends and is not intended as investment, legal or tax advice. This newsletter was prepared using information from third-party sources, which we believe to be reliable; however, we have not audited the data from these sources and are not responsible for its accuracy.

The **Dow Jones Industrial Average℠** is a price weighted index that measures the performance of thirty component large-cap U.S. stocks. The **S&P 500® Index** is a market capitalization weighted index that measures the performance of 500 leading companies in leading industries of the U.S. economy. The **Russell 1000® Index** measures the performance of roughly 1,000 U.S. large-cap companies. The **Russell 1000® Growth** Index measures the performance of U.S. large-cap companies with higher price/book ratios and forecasted growth values. The **Russell 1000® Value Index** measures the performance of U.S. large-cap companies with lower price/book ratios and forecasted growth values. The **Russell 2000® Index** measures the performance of roughly 2,000 U.S. small-cap companies. The **MSCI EAFE® Index** is a market capitalization weighted index that is designed to measure the performance of developed markets, excluding the U.S. and Canada. The **MSCI Emerging Markets Index** is a market capitalization weighted index that is designed to measure equity market performance of emerging markets. **The MSCI ACWI Ex USA Small Cap Index** is a market capitalization weighted index that represents the performance of smaller capitalization companies in developed and emerging markets excluding the U.S. The **Barclays Aggregate Bond Index** tracks the performance of intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities with at least one year to final maturity. The **Barclays Intermediate U.S. Gov/Credit Index** tracks the performance of intermediate U.S. government and corporate bonds. The **Barclays Municipal Bond Index** is considered representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year. The **BoAML Fixed Rate Preferred Securities Index** tracks the performance of fixed rate U.S. dollar denominated preferred securities in the U.S. domestic market. The **BoAML Treasury Master Index** tracks the performance of the direct sovereign debt of the U.S. Government. The **BoAML U.S. Mortgage Back Securities Index** tracks the performance of U.S. dollar denominated fixed rate and hybrid residential mortgage pass-through securities publicly issued by U.S. agencies in the U.S. market. The **BoAML U.S. Corporate Master Index** tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market. The **BoAML High Yield Master II Index** is a broad based index consisting of all U.S. dollar-denominated high-yield bonds with a minimum outstanding of $100 million and maturing over one year. The **BoAML All Convertibles All Qualities Index** measures convertible securities' performance of U.S. dollar denominated convertible securities not currently in bankruptcy with a total market value greater than $50 million at issuance. The **BoAML Euro Broad Market Index** gives exposure to euro-denominated investment grade debt publicly issued in the Eurobond or euro member domestic markets including government, quasi-government, corporate, securitized and collateralized securities. The **BoAML Local Debt Markets Plus Index** is a broad composite designed to track the performance of local currency sovereign debt of emerging markets countries. Past performance is no guarantee of future results. All indices are unmanaged. Investors cannot invest directly in an index. Index returns do not include expenses.

Investment Terms

Valuation levels are typically shown by calculating the price level of an index or a company relative to any number of characteristics of an index or company. For instance, the price-to-earnings valuation metric looks at the price of an index (or stock) divided by the total earnings of an index (or stock). Based on the multiple (in this instance, the multiple is how much investors are willing to pay – the price – for a given amount of earnings), it provides investors with a general sense of how expensive, or cheap, the overall market is at the present time. While there are a significant number of valuation metrics that are used in practice, and many ways to vary/modify the calculation of the price-to-earnings ratio, in this summary we are focused on the price investors are willing to pay (the level of the S&P 500® Index) divided by earnings expectations for the equity market (S&P 500 Index) over the next 12 months. This valuation metric is referred to as the forward P/E. A **yield curve** is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality but differing maturity dates. The most frequently reported yield curve compares the three-month, two-year, five-year and 30-year U.S. Treasury debt. A **basis point** is a common unit of measure for interest rates and other percentages in finance. One basis point is equal to $1/100^{th}$ of 1%, or 0.01% (0.0001). **Interest coverage** is a measure of a company's ability to meet its interest payments on its debt. **Federal funds rate** is the interest rate at which a depository institution lends funds maintained at the Federal Reserve to another depository institution overnight. It is one of the most influential interest rates in the U.S. economy, since it affects monetary and financial conditions, which in turn have a bearing on key aspects of the broad economy including employment, growth and inflation.

Certified Financial Planner Board of Standards, Inc. (CFP Board) owns the CFP® certification mark, the CERTIFIED FINANCIAL PLANNER™ certification mark, and the CFP® certification mark (with plaque design) logo in the United States, which it authorizes use of by individuals who successfully complete CFP Board's initial and ongoing certification requirements.

Contact Us

To learn more please visit us at
www.EntasisAM.com

Entasis Asset Management
300 N Corporate Drive
Suite 220
Brookfield, WI 53045
262-754-5299
Info@EntasisAM.com

FOLLOW US

Entasis
ASSET MANAGEMENT