BESSEMER TRUST

Quarterly Investment Perspective

The Sun Also Rises

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Executive Summary

- **The U.K. decision to leave the European Union (Brexit) and the election of Donald Trump to be the 45th U.S. president reflect important shifts that stand to influence global politics and financial markets going forward.**
- **In this publication, we discuss some of the forces behind these major events, possible implications, and how we're managing portfolios as a result.**
- **Heading into 2017, we are neutral equities versus our benchmarks, shorter bond duration, and overweight the U.S. across asset classes. Our base case expects further, albeit modest, equity returns.**

"How did you go bankrupt?" Bill asked.

"Two ways," Mike said. "Gradually and then suddenly."

No, this edition of our *Quarterly Investment Perspective* is *not* about bankruptcy or business life cycles. The dialogue above, from Ernest Hemingway's 1926 novel, *The Sun Also Rises*, reflects a broader idea — that gradually evolving issues can erupt into sudden and sometimes unexpected events. In our minds, Hemingway nicely describes global politics in 2016, and provides a useful prism through which to view some critical policy, economic, and market issues in the year ahead.

More specifically, in this publication, we discuss some of the tectonic shifts that influenced the unexpected U.K. and U.S. 2016 political outcomes: the U.K.'s decision to exit the European Union (so-called Brexit) and the election of Donald Trump to be America's 45th president. We also look at how the forces behind these election results could influence global politics in 2017, and, in turn, how such sudden events could significantly steer financial markets. Will 2016, for instance, go down as the end of the 35-year bond market rally or the start of a sustained period of rising inflation? Will 2017 mark the beginning of a U.S.-China trade war?

Finally, we review our 2016 portfolio performance and lay out how we are allocating capital into 2017: neutral equities versus our strategic benchmarks, shorter bond duration, and notably overweight the U.S. across asset classes. Our base case expects further, albeit modest, equity returns. Substantial, quickly enacted U.S. fiscal stimulus could boost returns further; however, knowing markets are relatively more vulnerable later in the business cycle and at higher valuations, we not only cannot take such stimulus as a given but also need to protect against possible negative shocks.

Fear and Frustration

Globalization, technology, and a frustration with the political status quo. Those three issues, directly and indirectly, explain in large part why the U.K. and U.S. votes resulted in surprise outcomes.

Globalization has been underway for centuries, but the latest wave of cross-country integration can be traced back to the 1990s, when China, India, and countries previously tied to the Soviet Union

> At the same time that the world was becoming more interconnected, technology was advancing, able to replace human labor at a lower cost.

became larger players in global trade, and as companies grew more comfortable increasing business footprints overseas. This trend accelerated when China joined the World Trade Organization (WTO) in 2001. Together, these events effectively doubled the labor force available to global companies, which, in turn, increased competition for jobs in advanced economies and pushed down wages, especially for professions requiring fewer specialized skills.

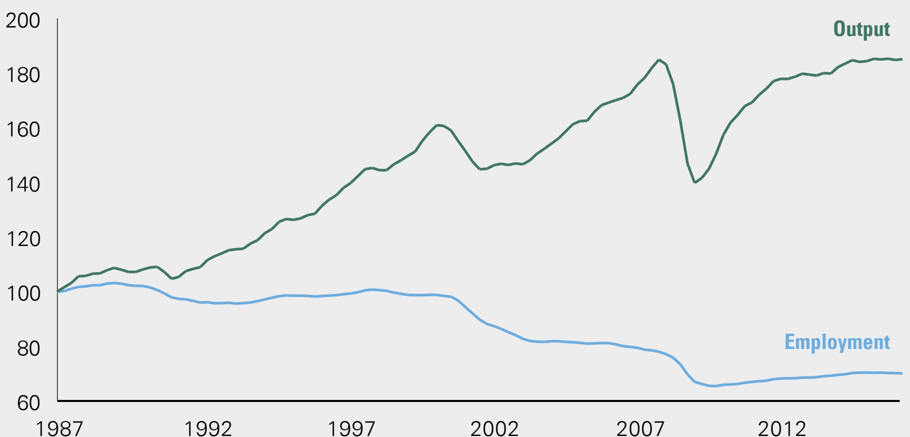
At the same time that the world was becoming more interconnected, technology was advancing, able to replace human labor at a lower cost. While experienced across business sectors, automation has been most acutely felt in manufacturing.

Going back about 30 years, U.S. manufacturing jobs have been cut by 30%, while the overall U.S. labor force has grown by 43% and total manufacturing output has almost doubled. Most of that differential between output and jobs, in our view, represents technological innovation, even more so than competition from global trade (Exhibit 1). Consider steel, an alloy near and dear to our hearts at Bessemer. According to an *American Economic Review* paper published last year, introduction of the steel mini-mill (a more efficient production tool) accounted for about a third of the increase in the steel industry's productivity between 1972 and 2002. During that time, and since, hundreds of thousands of jobs have been lost — with competition from foreign imports

Exhibit 1: U.S. Manufacturing Employment and Output

Key Takeaway: In our view, the recent widening gap between manufacturing output and jobs can be attributed to technological innovation and, to a lesser extent, global competition.

Indexed to 100 on March 31, 1987



As of September 30, 2016.

Source: Bloomberg, U.S. Bureau of Labor Statistics

and the rise of steel substitutes exacerbating this issue. Indeed, Pittsburgh — which used to be the center of the U.S. steel industry — fell from the 10th-largest city in the country in the mid-1900s to 61st as of 2012, in part as steel jobs disappeared and reduced the need for related work. That trend has fueled fear of competition from immigrant labor and likely has influenced what seems to be a greater political emphasis on protectionism and tighter border controls.

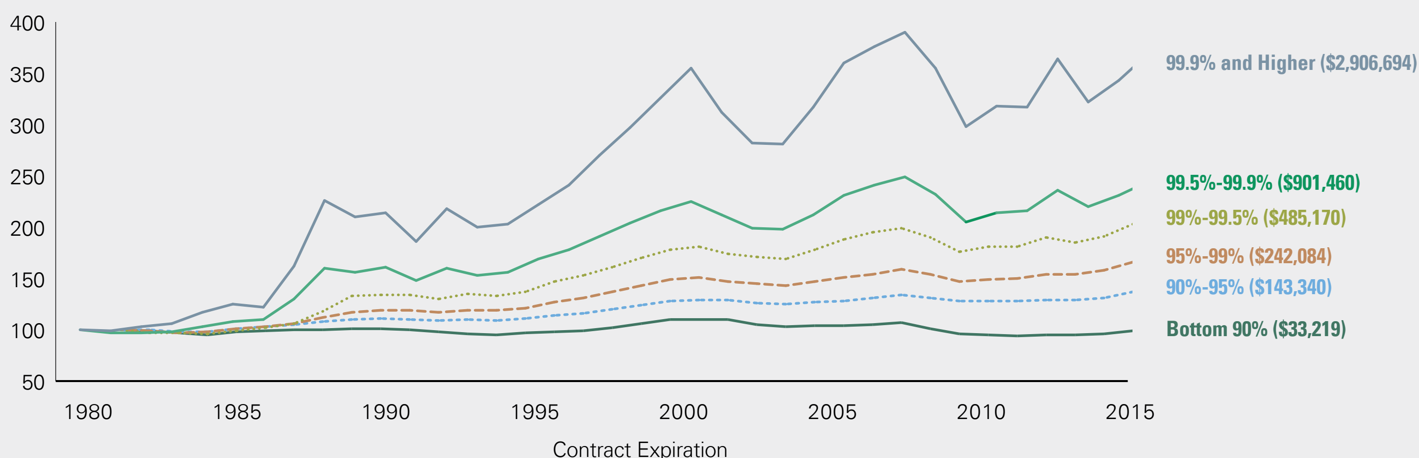
Taken together, increased productivity and lower wage costs have benefited U.S. firms and the investors owning respective company shares. Meanwhile, quantitative easing by global central banks has disproportionately helped owners of financial and real estate assets. Inequality has worsened, making many feel left behind (Exhibit 2). While statistics in this paper focus more on the U.S., similar trends can be seen across the Atlantic in Europe as well.

Perhaps the straw that broke this figurative camel's back was a sense that politicians were simply not doing enough to help the folks left behind and, indeed, in some cases, were making problems worse. While the amount of legislation passed does not, by itself, equate to a successful country or economy, it may shed light on partisanship. In the 1970s, Congress tended to enact nearly 800 laws in each two-year session; in recent congressional sessions, that number has fallen by more than half

Inequality has worsened, making many feel left behind...similar trends can be seen across the Atlantic in Europe as well.

Exhibit 2: Growth in Real Average Income, by Income Percentile

Key Takeaway: Income inequality has worsened over the last few decades as technology and globalization have weighed on so-called blue-collar workers.

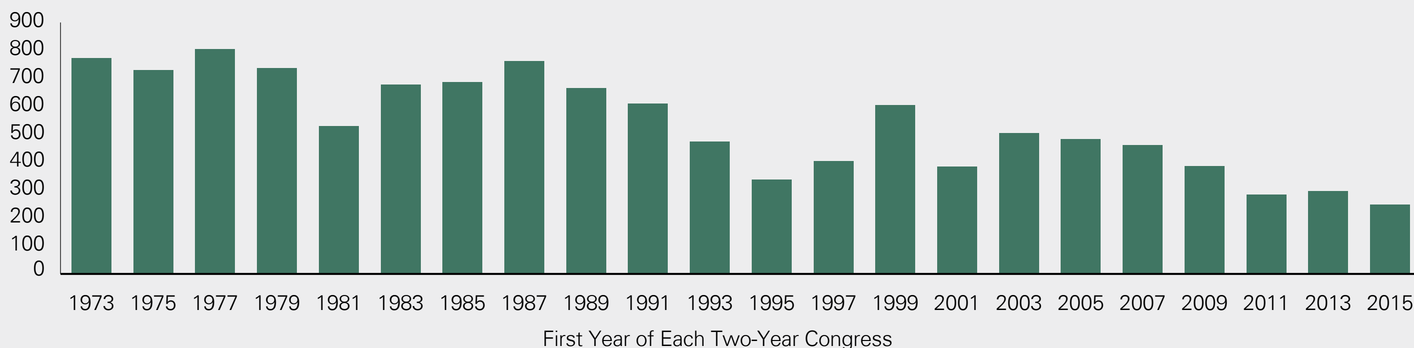


As of 2015. Dollar figures in parentheses represent average income excluding capital gains in 2015 for each percentile group.

Source: World Wealth and Income Database

Exhibit 3: Enacted Laws by Each Two-Year U.S. Congress

Key Takeaway: The number of laws currently enacted by each two-year Congress is roughly one-half of levels of the 1970s and early 1980s.



As of November 30, 2016.

Source: GovTrack.us

(Exhibit 3). A Congress doing less but fighting more helped drive down its popularity rating to 18% (as of a Gallup opinion poll taken in October of 2016). At the same time, the number of U.S. regulations influencing the private sector has steadily risen; many small business owners in particular have felt that government was more of an impediment to success than a driver.

Certainly, a sense of over-regulation and loss of control to bureaucrats in Brussels contributed to Brexit. Between 1993 and 2014, the British Parliament passed 231 acts, and more than 4,200 statutory instruments were implemented — all in the name of European Union (EU) obligations. While many of these are deemed useful, press attention has honed in on the more outlandish regulations, such as European Commission Regulation 2257/94, which states that bananas must be "free from … abnormal curvature."

These developments have likely been aggravated by information and opinion telegraphed 24/7 via a broadening number of communication channels; a perception of bias in the mainstream media has contributed to this. Frustrated voters could more easily confirm their fears and views via what may or may not be factually correct and/or balanced news. Indeed, both in the U.S. and U.K. this past year, "post-truth" and "fact-checking" moved into daily conversation.

It's Not Over — Europe's Many Upcoming Events

As we look forward, it is useful to understand the dynamics behind political surprises in the U.S. and the U.K., two of the largest global economies. Where else could we see similar frustrations manifest themselves in 2017? Further, what other slow-moving trends could suddenly erupt, Hemingway-style, into market and economic shocks?

The year ahead will see a number of key votes and political events, especially in Europe: France, Germany, and the Netherlands will all hold elections (Exhibit 4). Of those, our focus is on France, the fifth-largest economy in the world in nominal terms and one of the top economies in Europe (following Germany and the U.K.). Importantly, France was a founding member of the European Coal and Steel Community, the precursor organization to the European Monetary Union (EMU), the euro currency bloc, today. We view Germany and France as really the "heart" of the monetary union.

France, along with much of Europe, has been challenged by many of the same forces as the U.S. and U.K.: globalization and technology have weighed on job growth, especially for certain parts of the population (the country's

Exhibit 4: Key Events in 2017

January	
17-20	World Economic Forum in Davos (China's Xi reportedly attending)
20	U.S.: Inauguration of President-elect Trump
February	
TBD	U.S.: State of the Union address by President Trump
1	U.S.: FOMC monetary policy announcement
March	
15	U.S.: Federal government debt limit suspension expires
15	U.S.: FOMC monetary announcement; press conference
15	Netherlands: General elections
TBD	U.K: P.M. May expected to trigger Article 50
April	
23	France: 1st round of Presidential election
21-23	International Monetary Fund (IMF) spring meeting, Washington, DC
May	
7	France: 2nd round of Presidential election
7	Germany: Election in Schleswig-Holstein
25	OPEC (oil ministers) meeting, Vienna
26-27	Group of Seven leaders meeting in Sicily, Italy
June	
14	U.S.: FOMC monetary announcement; press conference
July	
8	Group of 20 meeting in Hamburg, Germany
August	
TBD	China to hold 19th Communist Party Congress in fall
September	
20	U.S.: FOMC monetary announcement; press conference
TBD	Spain: Catalonia independence referendum
Late	Germany: General election
October	
TBD	Asia-Pacific leaders summit (APEC) in Vietnam
13-15	International Monetary Fund (IMF) meeting
December	
13	U.S.: FOMC monetary announcement; press conference

unemployment rate hovers around 10%). Immigration fears have grown, not just because of jobs, but also terrorism. So, too, has resentment against politics as usual.

It is perhaps no surprise, then, that the country's May presidential election is now front and center for investors, with the National Front's Marine Le Pen seen as the equivalent to Brexit's spokesman, Boris Johnson, or the U.S.'s Trump in terms of voicing a desire for change. Le Pen has promised to hold a referendum on EU membership if elected. Her far-right party currently polls about as well as the center-right Republicans, suggesting that she will likely make it at least to the second (and final) round of the election.

Historically, France has tended to favor traditional parties in the final round, suggesting that Le Pen is still a longshot to win the presidency. Nonetheless, having a vocal, openly anti-EU candidate in the headlines for the first half of 2017 is likely to keep investors on edge, reluctant to add to French — and maybe even broader eurozone — exposure, especially following the political surprises of recent years. We note that Republican candidate and former Prime Minister Francois Fillon, while not anti-EU, would still be a break from the status quo, focusing his campaign on smaller government, lower taxes, and reform of France's labor market, along with conservative social policies.

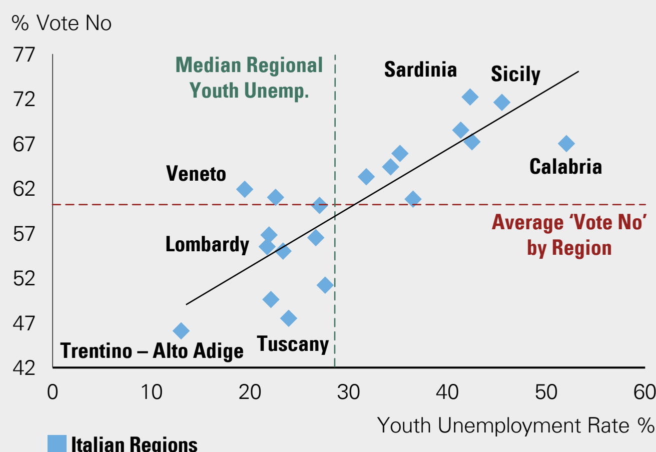
In our view, the Netherlands and Germany pose less risk of surprise, as both countries would be challenged to see fringe anti-EU parties gain sufficient popularity or build substantial coalitions to drive policy. The Netherlands' anti-EU Freedom Party is unlikely to garner enough partners to establish a government if it wins a plurality in the March elections. The anti-EU AfD in Germany, meanwhile, polls only 15%, and the political coalition run by Chancellor Angela Merkel seems solid: her approval rating remains high (55%) despite recent challenges with the immigrant situation. If there is a risk for Merkel, it may be that she is vulnerable to a coalition from the left, whose parties are all in favor of remaining in the EU.

In Italy, the rejection of the constitutional referendum and resignation of Prime Minister Matteo Renzi on December 4 were further steps in the populism direction for Europe. Uncertainty remains as to the new government's makeup and potential prominence of the Five Star Party, which has promised a referendum on Italy's membership in the EU if it controls the government. Overall EU sentiment within Italy remains positive, but risk comes from younger, unemployed voters, with a very strong correlation between this group and the "no" votes in the constitutional referendum (Exhibit 5).

While the market's political lens will be set on core Europe for most of the first part of 2017, the U.K. is likely to step back into the spotlight in the second half. We believe that Brexit will most likely happen in 2019. The remaining question is whether the U.K. steers in favor of a "soft" or a "hard" exit from the EU. A "soft" Brexit would maintain the current single-market access for goods and labor between the U.K. and the EU, while a "hard" Brexit would imply restrictions on trade and greater downside risks for the country's economy.

Exhibit 5: Italian Regional Youth Unemployment Rate and the "Vote No" by Region

Key Takeaway: Negative sentiment for Italy's reform referendum was strongest among young unemployed voters.



As of December 5, 2016.

Source: Goldman Sachs Global Investment Research, Italian Ministero dell'Interno, Istat

Turning East to China

Chinese politics will also figure prominently in 2017, in the form of the 19th National Congress of the Communist Party, due in autumn. This event is expected to result in a further consolidation of power for President Xi Jinping (in part via retirement of five of the seven current members of the Politburo's Standing Committee).

China's leaders face a different, but equally significant, set of shifting tectonic plates:

- An aging population that limits growth and pushes up wages;
- Poorly run state-owned enterprises (SOEs);
- An already enormous and growing debt overhang (total debt reached 261% of GDP by the end of the first half of 2016);
- A population with limited means to create and store wealth and a desire to diversify capital overseas; and
- An increasing focus within the country on quality-of-life issues, such as the environment and health care.

Our base case is that these slowly developing issues will *not* translate into a Western-style political shock in 2017. However, we do believe there is similarly growing pressure on leadership to take action to maintain the public's support and social stability.

To that end, we believe President Xi will do what he can to prevent any sudden or sharp economic slowdown, especially ahead of the fall party congress. Reform will take a back seat, suggesting that SOEs will remain frail and overall debt will rise further (the latter thanks in part to government stimulus efforts). Xi may try to take some air out of the third housing bubble China has seen since the 2008-9 crisis, but we expect he will work to avoid a rapid decline in home prices that could undermine consumer confidence and broader spending.

We see these slowly evolving issues as more likely than not to culminate — eventually — in a negative financial and/or economic shock in China. The incredibly difficult thing to forecast is when this occurs, and what the exact catalyst would be for such an event.

One possible 2017 trigger we will monitor is U.S.-China trade friction. President-elect Trump regularly campaigned on trade issues, often threatening to label China as a “currency manipulator” and suggesting he would impose a 45% tariff on Chinese imports. Since the election, Trump’s trade-related comments have been fewer, usually softer in tone, and aimed more at Mexico. That said, we cannot rule out the possibility of a Chinese trade war. What could that mean?

Simply put, we would expect China to retaliate. This could take a number of forms, some more direct (such as a large one-off devaluation of China’s currency to help keep exports competitive) and some indirect (such as doubling down on efforts to build stronger economic and geopolitical alliances within Asia). Whatever form retaliation might take, U.S.-led tariffs would likely:

- Weigh on China’s economy and result in a weaker local currency. This, in turn, could be a negative factor for China’s trade partners and many commodity prices.
- All else equal, it would likely lift the dollar and raise U.S. yields (the latter on fears of less demand from China’s central bank).
- It could also put additional pressure on local Chinese politicians to increase their own nationalistic tone.
- At the margin, fewer Chinese imports could also push up costs of final goods sold in the U.S.

Exhibit 6: U.S. 10-Year Government Bond Yield Since December 31, 2015

Key Takeaway: 10-year U.S. Treasury yields increased markedly recently, but are ending the year close to where they started.

As of December 2, 2016.

Source: Bloomberg

Market Implications

While underlying issues driving recent (and possibly future) political change overlap, the resulting market implications often do not. Below, we outline our expectations for fixed income and equities, the two largest asset classes in most client portfolios, for the year ahead.

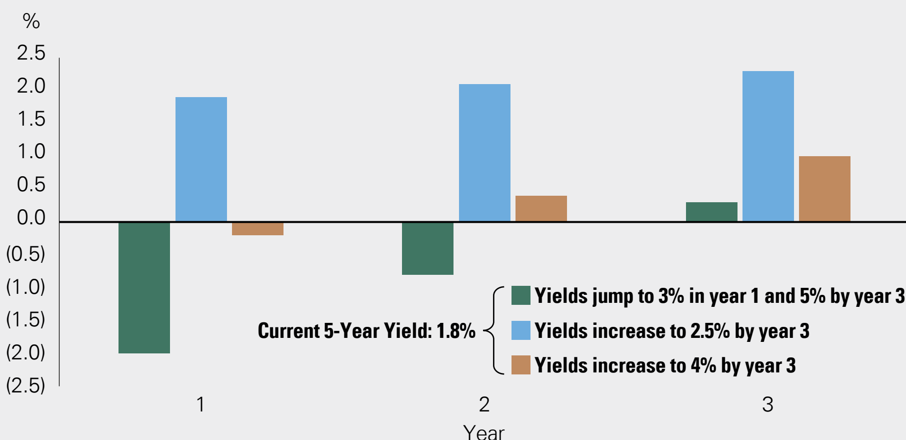
Fixed income. We maintain an underweight to high-quality fixed income, though we still believe it is an important defensive component of portfolios. The U.S. election results have been more consequential for bonds than any other asset class. Treasury yields have increased about 60 basis points (bps) since the election, exacerbating a more moderate rise over the preceding few months. To keep the moves in context, however, 10-year Treasury yields are ending 2016 within 10bps of where they began the year, with recently higher yields essentially negating prior gains in price terms for bonds. Bessemer’s taxable bond portfolios are ending the year with a total return of around 1% (as of mid-December). Municipal bonds have underperformed relative to U.S. Treasuries and corporates since the election, partially due to increased likelihood of tax cuts, which would imply a higher after-tax yield for municipals, all else equal. We believe that the less-liquid nature of the municipal bond market has exacerbated this underperformance. Municipals are now at their cheapest relative levels versus Treasuries in several years. While some of the widening is warranted, we believe the higher muni yields offer an opportunity for longer-term investors, particularly given that Bessemer mandates are implementing a portfolio duration below the benchmark’s.

There are several reasons to suggest yields will continue to climb — but only modestly — in 2017. Indeed, we see rising bond yields as likely to persist

Bonds remain an important defensive component in portfolios, even more so at higher yields, if there is an unexpected turn in global sentiment or worsening of economic conditions.

Exhibit 7: Hypothetical Cumulative Bond Returns By Yield Shock

Key Takeaway: In a rising yield environment, bond returns can still be positive on a cumulative basis over a three-year period.



As of December 7, 2016. The analysis assumes the Treasury yield curve remains at its current level of slope between the 3-, 4-, and 5-year Treasury yield. Cumulative reflects the cumulative annualized holding period return.

Source: Bank of America Merrill Lynch, Bloomberg

through the end of this economic cycle (that is, at least for the next one to two years). President-elect Trump's emphasis on tax cuts and fiscal spending suggests a combination of short-term growth, inflation, and Treasury issuance biased higher with government spending set to increase. A more robust economic backdrop with inflation expectations increasing implies that the Fed can follow through with rate hikes in 2017 in a more convincing fashion than it did in 2015 and 2016; we expect two hikes in 2017 versus one each in 2015 and 2016.

Perhaps more relevant with regard to the Fed, though, is that its makeup can shift significantly in the coming years, at a time when important decisions will need to be made about reinvestment of its balance sheet. Trump will nominate two new members to the board of governors in 2017 to replace vacant seats; additionally, Chair Janet Yellen's term ends in January 2018, and Vice Chair Stanley Fischer's term ends in June 2018. Once the new members are in place, it is highly probable that the Fed will have more of a bias to raise rates. Meanwhile, government securities held on the Fed's balance sheet since the years of quantitative easing are due to mature in size beginning in 2018. While these dates remain on the somewhat distant horizon, the market tends to increase the uncertainty premium along the yield curve well in advance.

We see at least two key reasons, however, why interest-rate moves will remain contained and that high-quality bonds still constitute an important and defensive part of the portfolio, albeit at an underweight positioning relative to our benchmark in size and duration.

First, there are natural limiting factors to the increase in yields. Higher U.S. interest rates tend to have two negative effects on U.S. growth: a stronger U.S. dollar, which weighs on companies' ability to export, and higher mortgage rates, which can drag on the housing market and consumers' balance sheets. This feedback loop can reduce the need for Fed tightening.

Second, there is pent-up foreign demand for Treasuries that can cap yields. This demand was a major force behind the fall in U.S. yields in the first half of 2016, as easing-to-negative rates in Europe and Japan and aggressive Bank of England (BoE) easing post-Brexit pushed foreign bond money to U.S. shores. We believe that the Bank of Japan, ECB, and BoE are unlikely to ease much in 2017, but the low level of global rates overall should maintain at least modest foreign private demand for U.S. debt in 2017.

More generally, bonds remain an important defensive component in portfolios, even more so at higher yields, if there is an unexpected turn in global sentiment or worsening of economic conditions. Even assuming moderate increases in yields, bonds can have decent performance in the coming years, and downside relative to equities is more limited; some scenarios are outlined in Exhibit 7. Bessemer mandates maintain an underweight exposure to high-quality bonds relative to the benchmark, and with shorter duration to position for rising interest rates.

Equities. We remain constructive on global equities in 2017. That said, our base case is that returns are modest (likely single-digit increases for the year) and that domestically oriented U.S. companies show some of the best relative performance (Exhibit 8). Over the course of 2016, the Bessemer mandates increased U.S. equity exposure and took an additional step after the November election; as of this writing, equities in our 70/30 risk profile, Balanced Growth portfolio, would be 67% U.S. versus a neutral global equity benchmark weight of 54% U.S.

We remain constructive on global equities in 2017. That said, our base case is that returns are modest (likely single-digit increases for the year) and that domestically oriented U.S. companies show some of the best relative performance.

Exhibit 8: Key Equity Views into 2017

Region	Positioning & Considerations
U. S.	**Overweight.** Rising USD and yields to benefit cyclical, domestically oriented firms in particular. Key downside risks include disappointment over stimulus and/or China trade war, especially given already-high valuations.
Eurozone	**Underweight.** Relatively attractive valuations and monetary stimulus unlikely to offset investor anxiety around political question marks, including May French election.
U.K.	**Underweight.** Sterling biased lower and economic uncertainty likely to rise as Brexit negotiations begin in earnest.
Emerging Markets	**Underweight.** Rising USD and yields a material headwind (difficult to hedge most EM currencies); China economic stability into party Congress helpful at the margin.
Other	**Underweight** all other major regions given degree of U.S. overweight.

As of December 15, 2016.
Source: Bessemer Trust

We see two-way risks for U.S. equities in the year ahead. A new administration that quickly and successfully implements corporate tax reform (including a lower tax rate that encourages repatriation of overseas profits) and reduces regulation, all else equal, could result in higher-than-expected equity returns. The related potential fiscal stimulus from such policy action would likely prolong the economic cycle and boost corporate revenues. It could also result in increased corporate spending.

On the other hand, should the new administration follow through on some of the tougher trade-related rhetoric expressed during the campaign, especially that tied to China, and if that happens with fiscal stimulus that disappoints expectations, we could see U.S. equities outperform other regions, but in a broadly declining market (for more detail here, please see the July 2016 *Quarterly Investment Perspective, "America the Beautiful"*). In this scenario, we would likely consider reducing our overall equity allocation from current levels.

In either case, the new administration seems more likely than not to preside over rising U.S. yields and a strengthening dollar regime. Cyclical and domestically oriented U.S. firms (with less foreign-currency exposure) should benefit in particular.

That stronger dollar/rising yield backdrop is likely to act as a headwind for many emerging-market equities, even without trade friction. We are entering the year underweight these stocks. The prognosis for commodities is less clear-cut. While rising yields and a stronger dollar, all else equal, could limit commodity price increases, potentially stronger demand in the U.S. could provide at least a partial offset. Reduced regulation for some commodities could also benefit certain commodity-related companies.

European equities, meanwhile, have an easing central bank and relatively more attractive valuations in their favor. However, given lingering Italian and Dutch political uncertainty, and especially ahead of the French election, we doubt many investors will increase regional exposure, knowing the potential cost of a mistake (especially a surprise Le Pen victory). We would underline here the important difference between the U.K. leaving the EU and France or any other EMU member possibly following suit. A "Frex-it," a decision by France to leave the EU, is akin to a decision to leave the EMU and drop the euro. There are no perfect analogies for this, but bank holidays, capital controls, and the general chaos surrounding Greece's flirtation with leaving the EU in the summer of 2015 are fresh memories for market participants. The finality and severity of a decision to drop the euro make it less likely that citizens would vote to take this step, but it also suggests more daunting consequences, at least temporarily, were it to occur. Simply put, it would throw the entire monetary union's credibility into question.

While Brexit does not require a change of currency for the U.K., we are also cautious on U.K. stocks into 2017. Actual negotiations between the EU and U.K. will commence in earnest once Parliament triggers Article 50 (most likely in the spring). There is some risk that, in trying to maintain the announced timeline, Prime Minister May could call an early election to solidify her Brexit mandate. Overall, Brexit-related volatility will remain high, and later in the year, we should have more indications as to how disruptive Brexit will be to global markets and trade. Either way, we expect capital flows to the U.K. to remain limited, leaving the pound and local shares under pressure.

A Word on 2016 Performance

This last year was disappointing: After three consecutive years of beating our portfolio benchmark and above-benchmark performance on both a three- and five-year basis, we lagged somewhat in 2016. Most of that gap occurred at the start of the year, when we had overweight equity exposure versus our benchmark. Both U.S. and global stocks dropped by about 10% in six weeks, pulled lower in large part by China growth fears and a collapse in oil prices (Brent crude oil prices collapsed 25% in three weeks, Exhibit 9).

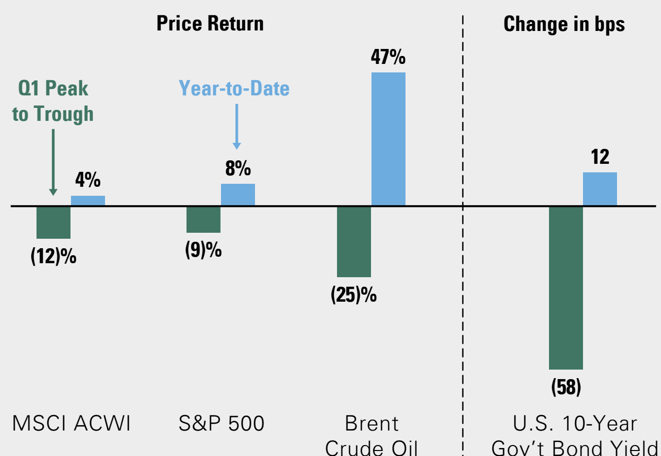
For the rest of 2016, our returns were generally in line with our benchmark. Our underweight exposure to energy-related equities weighed somewhat on relative performance, but this was offset in part due to an increased overweight to U.S. equities as well as emerging market equity exposure (which we augmented in March, and then dialed back down immediately after the November election). For the year, security selection in our U.S. large-cap value, mid-, and

small-cap equity mandates was particularly helpful. The additional exposure to managed-volatility equities (introduced over the course of the year during pockets of market strength) also performed well, in our view — delivering high-single-digit returns on average, with less volatility than their benchmarks — providing a level of defensiveness for portfolios that we are happy to hold into 2017.

The year ahead, in our view, is more likely than not to see some Hemingway-style, "sudden" surprises. Portfolio diversification and some managed-volatility strategies should serve us well in those instances. At the same time, our positioning still allows portfolios to participate if cyclical assets continue to appreciate. Though our overall equity exposure is neutral versus the benchmark, portfolios are aggressively overweight U.S. stocks and tilted more now toward cyclically sensitive and domestically oriented companies. We also remain modestly underweight traditional fixed income and, within bond mandates, have shorter duration than the benchmark.

Exhibit 9: First Quarter 2016 Peak to Trough and Year-to-Date Performance

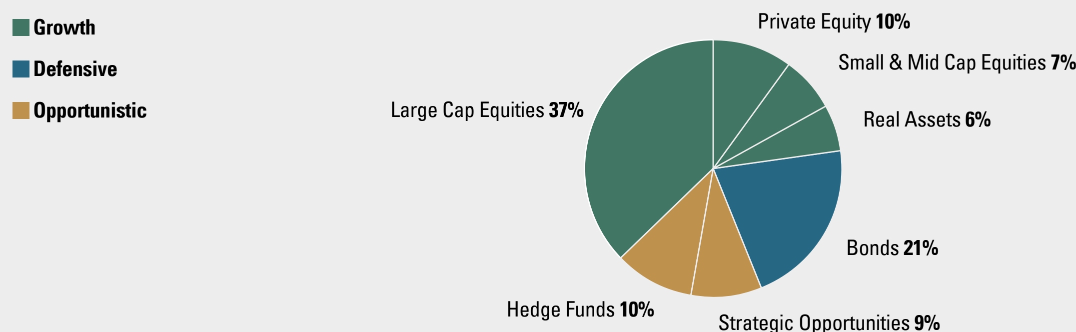
Key Takeaway: The start of 2016 saw a sharp drop in global and U.S. equities, oil prices, and 10-year U.S. Treasury yields.



As of December 5, 2016. Equities returns are in USD and reflect the price return. bps stands for basis point.

Source: Bloomberg

Bessemer's Positioning (70/30 Risk Profile with Alternatives)



Positioning as of September 30, 2016. This model displays Bessemer's Balanced Growth with Hedge Funds and Private Assets target portfolio allocation guidelines. Each client situation is unique and may be subject to special circumstances, including but not limited to greater or less risk tolerance, classes, and concentrations of assets not managed by Bessemer, and investment limitations imposed under applicable governing documents and other limitations that may require adjustments to the suggested allocations. Model asset allocation guidelines may be adjusted from time to time on the basis of the foregoing or other factors. Alternative investments, including Bessemer private equity, real assets, and hedge funds of funds, are not suitable for all clients and are available only to qualified investors.

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