

MARKET HIGHLIGHTS:

- U.S. real GDP is expected to post modest growth in Q2, following a -0.5% annualized contraction in Q1.
- Q2 brought 438k new jobs (versus ~375k expected), lowering unemployment to 4.1 %, though private-sector lead slowed, hinting at emerging weakness
- Stocks stumbled in early April on tariff concerns but rebounded sharply in May and June, ending Q2 with the S&P 500 up 10.9% and the Nasdaq up 17.4% for the quarter.
- Developed markets outperformed both in Q2 and YTD; MSCI EAFE’s strong currency tailwind and broad regional gains gave it the edge. It leads the S&P 500 by 13.7% in 2025.
- Bond pricing reflects imminent rate cuts (Fed dovish), while rising equities signal better growth, creating a “tug-of-war” in market outlooks.
- In both May and June, the FOMC unanimously held the rates at 4.50%, citing ongoing—though easing—uncertainty. The Committee emphasized its data-driven approach, monitoring inflation, labor conditions, and global factors, including the impact of tariffs, before making further policy decisions.

NEWSLETTER HIGHLIGHTS:

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Happy July 4th



From our office to your family, we hope you had a happy, safe and festive July 4th.

“One flag, one land.

One Heart, one hand.

One nation, evermore.”

-Oliver Wendell Holmes

INDEX PERFORMANCE

06/30/2025

	Q %	YTD %	1 Year %
Aggressive Allocation	6.8	5.1	12.5
Balanced Allocation	5.2	4.6	10.7
Conservative Allocation	3.3	4.0	8.7
S&P 500 TR	10.9	6.2	15.2
DJ Industrial Average TR	5.5	4.5	14.7
Russell 2000 TR	8.5	(1.8)	7.7
Bloomberg U.S. Agg Bond TR	1.2	4.0	6.1
MSCI EAFE NR USD	12.1	19.9	18.3

	2Q 2025	2Q 2024
10-year Treasury	4.24%	4.36%
3-Month Treasury	4.39%	5.48%
Price of oil	\$65.11	\$81.54
Real GDP YoY %	3.0%	2.9%
US Unemployment Rate	4.1%	4.1%

The Aggressive Allocation comprises of 31 S&P 500 TR, 36 DJ Industrial Average TR, 8 Russell 2000 TR, 5 MSCI EAFE NR USD, 18 Bloomberg US Agg Bond TR, 2 Cash The Aggressive Allocation comprises of 22 DJ Industrial Average TR, 30 DJ Industrial Average TR, 5 Russell 2000 TR, 3 MSCI EAFE NR USD, 35 Bloomberg US Agg Bond TR, 5 Cash The Aggressive Allocation comprises of 8 Russell 2000 TR, 27 DJ Industrial Average TR, 2 Russell 2000 TR, 1 MSCI EAFE NR USD, 53 Bloomberg US Agg Bond TR, 9 Cash. All indices are unmanaged, and investors cannot invest directly in an index. Unlike investments, indices do not incur management fees, charges, or expenses. Past performance does not guarantee future results.

Market Review

– By Rick Tonkinson, MBA, MPA, CFP®, CLU, AIF®



The first half of 2025 was highly volatile, and the fact is that all sectors of the S&P 500 experienced some negative returns during the quarter. However, this highlighted the importance of staying diversified and the value of staying invested for the long term.

The second quarter began with the announcement of increased tariffs. Although these had been anticipated for months, the stock market still reacted with surprise, sending the VIX (fear index) sharply higher. Markets initially fell but rebounded to breakeven by May 12th, creating a wave of unnecessary stress. Throughout the period, stocks fluctuated like a yo-yo in response to daily revisions of tariffs by country and product.

The Federal Reserve, if it had a stable and predictable economic policy, would likely decrease interest rates because the unemployment rate is 4.1% (considered full employment) and the inflation rate is 2.4% (close to the 2% target). However, the uncertainty of the tariffs' impact on prices causes the delay.

Although all sectors of the S&P 500 experienced negative returns this year, the index has rebounded, posting a 6.2% gain at the half-year point. Last year's losers are once again this year's winners, with industrials at 12.7% and financials at 9.2% leading this year.

Technology took a real hit, falling 25.8% off its highs in April, due to tariffs on China. Apple was hit the hardest because it manufactures its products in China and has seen its stock fall 19.5% in the first half of 2025. Despite this result, the technology sector was up 8.1% overall by the end of quarter two, driven by increases of 18.1% for Microsoft and 17.5% for NVIDIA.

The utility sector is up 9.4%. However, NextEra Energy, the largest US utility, is only up 0.49%. This is due to the new Federal Government budget negatively impacting NextEra through several changes to clean energy incentives, including a phased reduction of the residential clean energy tax credit and changes to the construction start deadlines in the solar investment tax credit.

U.S. stocks saw sharp drops—large caps fell 18.9% and small caps dropped 24.5%—but recovered much of their losses by midyear.

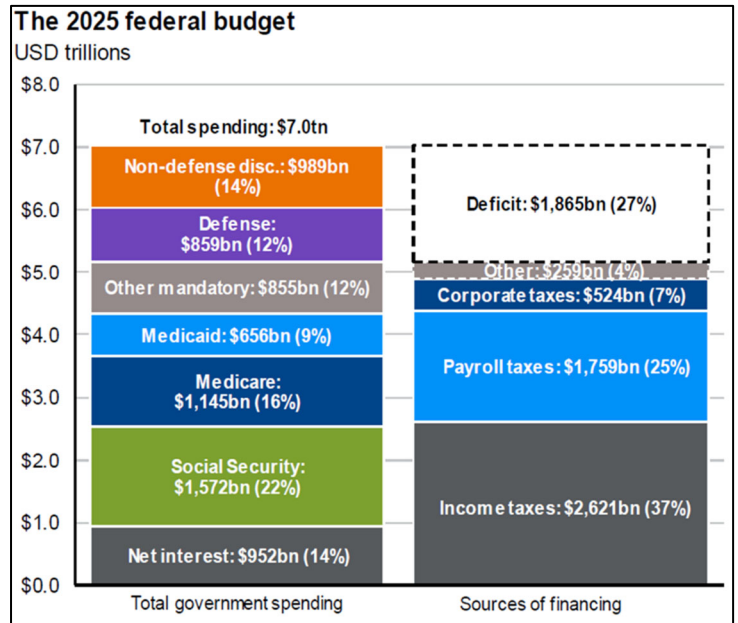
Valuations ended the first half of the year higher but remain reasonable across much of the market. The S&P 500 forward P/E (price-to-earnings) ratio stands at 22.5x, compared to a 30-year average of 17x, while small-cap and international stocks are much closer to their long-run averages.

International stocks outperformed U.S. stocks by more than 12%, thanks in part to a 10.7% decline in the U.S. dollar. Bonds delivered steady returns and helped stabilize portfolios during market declines. Commodities held up well despite geopolitical tensions, and cash returned 2.1%.

30-year mortgages are around 6.7%. These rates vary by states and localities. The lower the rates, the more money can be borrowed. The housing market is expected to increase by 3% in 2025.

The Federal budget is out of control. \$1,865 billion (27%) is borrowed to pay the bills. The defense budget is \$859 billion, and Medicare is \$1,145 billion, which are 93% funded through loans. The total deficit is \$36.1 trillion, and the new

budget adds \$3 trillion more to this amount. The amount of interest paid was \$1.1 trillion in 2024, which is double the amount the government spent five years ago.



Source: JP Morgan Guide to the Markets

While the government continues to borrow, consumer balance sheets have improved, with consumer assets now at \$190.1 trillion and liabilities at \$20.8 trillion. That is \$169.3 trillion in equity, which puts the U.S. consumer in a strong position.

Despite this abyss, the stock market is at all-time highs. Is there any reason for it? Yes.

- A better-than-expected jobs report
- The second quarter GDP estimates are increasing
- Strong corporate earnings due to operational efficiency and innovation (AI)
- Tax cuts

Given ongoing uncertainty, our strategy remains focused on maintaining a solid cash reserve for short-term needs, while emphasizing high-quality, large-cap growth companies for long-term capital appreciation. We continue to believe that a well-diversified portfolio enhances resilience across market cycles.

We love visitors!

Tonkinson Financial alumni, Maddy brought her kiddos for a little office visit. Never too early to teach financial lessons.



Cash is Performance

– By Rick Tonkinson, MBA, MPA, CFP®, CLU, AIF®

We do not have favorites with investments.

We do our in-house research and select investments objectively.

Many advisors do not consider cash an investment, but for us, it is.

Investors and advisors often disregard cash because it lacks performance. For us, zero performance is preferable to a negative one. In 2018 and 2022, cash outperformed both stocks and bonds because both were negative.

Ben Carlson of A Wealth of Common Sense has noted that “In fact, over the past 96 years, stocks have outperformed bonds and cash 59 times (61% of all years). Bonds have outperformed stocks and cash 23 times (24% of the time). And cash has outperformed stocks and bonds 14 times (15% of the time).”

This flip-flops constantly, and that is why we look at this daily.

Four Questions Retired Couples Should Ask Themselves About Their Finances

– By Steven Tonkinson, CFP®, AIF®, CFS®



Today too many couples don't have these crucial money conversations until it's too late.

Among older couples, one spouse often oversees the family finances. The other doesn't worry so much about it.

Until it is too late.

If the financial steward dies or becomes mentally incapacitated, the surviving spouse is too often left in a state of financial confusion. In particular, wives stand a good chance of being thrust into the role during widowhood, because average life expectancy for women in the U.S. is nearly six years longer than it is for men.

We encourage couples to share their financial information and responsibilities for that very reason. Getting there, however, can require some hard work—and open discussion.

Here are four questions we think couples should ask themselves to avoid the survivor trap that so often plagues couples when the financial steward must be replaced.

1. Do we talk enough about our money?

Marital partners frequently carve out distinct roles.

One partner pays the bills and balances the checkbook. The other may oversee the investments like the IRA and 401(k).

Investment reports can seem daunting. Before discussing specific investment strategies, a couple can start by talking about shared financial goals. Goals might include setting aside money for travel, gifting funds to grandkids, remodeling the kitchen or donating to favorite charities.

After jointly developing a financial plan, review it together at least yearly. My wife and I have a financial State of the Union every six months. You should also consider having a review immediately after a life-changing event such as selling a business, a passing of a parent or retiring.

2. Are both partners on the same page about investment risk?

It can be a problem if spouses have different levels of tolerance for investment risk.

One spouse shouldn't accept more investment risk than he or she is comfortable with just to go along with a partner. One way to satisfy both spouses is to set aside enough assets in a conservative portfolio to meet their income needs while putting the remaining portion into higher-growth potential, and thus riskier, investments.

3. Is there a backup plan if the financial steward dies first or develops dementia?

A lot of times the surviving spouse will reach out to family members for help. Legal professionals point to possible downsides of enlisting a family member's assistance. For instance, this relative must be prepared to perform time-consuming tasks. The person also must be trusted by other future beneficiaries of an estate. It's helpful to seek out professional advice to prepare a plan and help steward the surviving spouse when the time comes. We recommend that both spouses should be involved in choosing and working with that professional to develop a good advisory relationship.

4. Are good financial records being kept?

A lot of times one partner keeps and organizes the financial files. Sometime these files are password protected and anyone who needed to quickly take over the financial affairs could face problems. For example, this person would have to know how to get access to password-protected financial websites, possibly by using our cellphones for two-step verification.

We recommend creating a “just in case” binder, placing it in a safe location and informing family members about how to access it. The binder should list owned assets, how they are titled and names and phone numbers of important contacts such as advisers and account administrators. Also

useful would be a list of major regular expenses, including utility bills, mortgage payments and property taxes, as well



as how those were being paid.

If one spouse has been paying all the bills, set aside time as a couple to go through records such as credit-card and bank statements to capture all items and passwords. Pulling this information together can be tedious, but it is then much easier to maintain and update.

A random but very important item both partners should know about when it comes to credit cards: When the primary accountholder for a card dies, that card cannot be used for any further transactions—even if the surviving spouse is designated as an authorized user. Someone who ignores that prohibition could be held liable for fraud. The surviving partner must have a new card issued in their own name.

We pride ourselves in being there for our clients and their families helping to guide them through life’s transitions. Please reach out to us with any questions.

Debt Management in a Healthy Financial Plan

— Presented by Kristina Shamonina, CFP®, ChFC®, AIF®, Certified Senior Advisor (CSA®)



Wise debt management is a key component of healthy and effective financial planning. Today, most people carry some amount of debt to finance a degree or buy a home or car. Other debts may be incurred out of necessity or as part of an investment plan. Whatever your reasons for taking on debt, you should understand the different types of debt and their risks. This knowledge will help you manage debt wisely as part of your overall financial plan.

Primary Types of Debt

The two primary types of debt are:

- Unsecured debt. Credit card balances and student loans are common types of unsecured debt. Typically missing one or more of your monthly payments on unsecured debt could result in late fees, increased interest rates,

damage to your credit score, and/or action by a collection agency. A delinquent borrower can also be sued by the lender.

- Secured debt. With secured debt, the lender has an interest in an asset, such as a home mortgage or car loan. In the event of default, the lender has a legal right to repossess its interest in the asset.

Risks to Consider

The distinction between unsecured and secured liabilities should not lead to conclusions about when debt is appropriate. Credit card balances and car loans, for example, are rarely part of a healthy financial plan, in part because assets acquired this way are subject to rapid depreciation. Furthermore, because unsecured debt is convenient, it can get out of control quickly. So, avoiding credit card debt and car loans is advisable unless you have a strict budget and the discipline to stick to it.

Other types of debt, such as mortgages and business loans, could increase your long-term net worth, provided the asset value increases or remains more valuable than the loan balance. In these cases, you have less risk of the debt getting out of control because secured loans can be fully satisfied by disposing of the secured asset. The downside is you could lose your home, car, or other valued asset. As a result, even if secured debt has lower interest rates and more favorable terms, you should carefully weigh the potential downsides before taking it on.

How Much Debt Can You Afford?

With any type of loan, lenders decide what level of risk they will accept when making a lending decision. Factors they consider include credit history and the prospective borrower’s debt-to-income ratio. But the lender’s main concern is answering the question, “What is the maximum amount we can offer this borrower with the least likelihood they will default on the loan?”



It’s important to realize that a lender’s willingness to loan funds does *not* mean accepting the loan is prudent. When analyzing your ability to carry debt, consider your budget carefully and focus on the following:

Liquidity

If you suddenly lost your job, would you have enough cash to cover your current liabilities? It’s a good idea to maintain an

emergency fund to cover three to six months of expenses. But don't go overboard. Guard against keeping more than 120 percent of your six-month expense estimate in low-yielding investments. And don't let more than 5 percent of your cash reserves sit in a noninterest-bearing checking account.

Current debt

Your total contractual monthly debt payments (i.e., minimum required payments) should come to no more than 36 percent of your monthly gross income. Your consumer debt—credit card balances, automobile loans and leases, and debt related to other lifestyle purchases—should amount to less than 10 percent of your monthly gross income. If your consumer debt ratio is 20 percent or more, avoid taking on additional debt.

Housing expenses

Generally, your monthly housing costs—including your mortgage or rent, home insurance, real estate taxes, association fees, and other required expenses—shouldn't amount to more than 31 percent of your monthly gross income. If you're shopping for a mortgage, keep in mind that lenders use their own formulas to calculate how much you can afford. These formulas may not work for your situation. For a mortgage insured by the Federal Housing Administration, your housing expenses and long-term debt should not exceed 43 percent of your monthly gross income.

Savings

Although the standard recommended savings rate is 10 percent of gross income, your guideline should depend on your age, goals, and stage of life. You should save more as you age, for example, and as retirement nears, you may need to ramp up your savings to 20–30 percent of your income. Direct deposits, automatic contributions to retirement accounts, and electronic transfers from checking accounts to savings accounts can help you make saving a habit.

Debt Pay-Down Strategies

If you're carrying debt that exceeds what's normal for the average household, we can discuss strategies to pay it down as aggressively as is reasonable. Here are two approaches to consider:

- **Snowball debt elimination.** This involves identifying lowest-balance debts and targeting them for priority repayment while making only the minimum payment on other items of debt. Once the lowest balance is paid off, move on to paying down a new set of lowest-balance debts.
- **Debt avalanche.** This strategy advocates paying off debts with the highest interest rate first. This makes mathematical sense but requires discipline and the ability to stick with the process.

Debt and Your Investment Plan

In some cases, you may believe that holding debt, such as a mortgage or margin investments, is beneficial. This idea is usually based on the potential for your investments to outperform the interest rate on the applicable loan and the investment opportunities you could explore with that extra liquidity.

For instance, you might believe that paying off a mortgage or margin loan could represent a tax-free return on investment essentially equal to the interest rate paid on the debt. But you would enjoy a significant net benefit only if the rate of return substantially exceeds the cost of the interest. And that result cannot be guaranteed. So, though this strategy could potentially yield a monetary benefit, the overall risk involved is significant.

Navigating the Markets: Mid-Year 2025 Outlook

— By Tom Saul, AIF, Advisor & Co-Portfolio Manager



As we move into the second half of 2025, we're closely monitoring a range of developments that could impact market performance. While none of these risks appear severe enough to push the U.S. economy into a recession, they are clearly contributing to a slower pace of growth.

Four Key Risks We're Watching

- 1. Rising Tariffs and Trade Tensions**

The U.S. has significantly increased tariffs on Chinese goods, causing supply chain disruptions and delaying corporate investment decisions.

 - According to Reuters, the effective average tariff on Chinese imports has climbed from 10% to 55% year-over-year.
- 2. Resumption of Student Loan Payments**

The restart of federal loan payments is reducing consumer spending power, particularly for younger households.

U.S. Department of Education shows:

 - Total debt outstanding: ~\$1.77 trillion
 - Average monthly payment: ~\$536
 - Average debt per borrower: ~\$38,400
- 3. Elevated Long-Term Interest Rates and Credit Risk**

Even if short-term rates decline, long-end yields could remain elevated due to U.S. fiscal concerns. Moody's has flagged potential credit risk and downgraded the US Debt from AAA to Aa1, which could increase borrowing costs across the economy.

- U.S. national debt: \$36+ trillion
- Rising Treasury issuance may push long-term yields higher
- Mortgage rates may remain elevated even as the Fed eases

4. Geopolitical Tensions in the Middle East

Ongoing instability in the Middle East is creating volatility in energy markets, with the potential for rapid shifts in sentiment.

Impact on GDP Growth Outlook

Based on data from the IMF World Economic Outlook, J.P. Morgan, Goldman Sachs, and the Federal Reserve’s Summary of Economic Projections, the U.S. economy was initially expected to grow at a baseline rate of 2.2%-2.5% in 2025. This projection reflected strength in the labor market, moderating inflation, and resilient consumer demand.

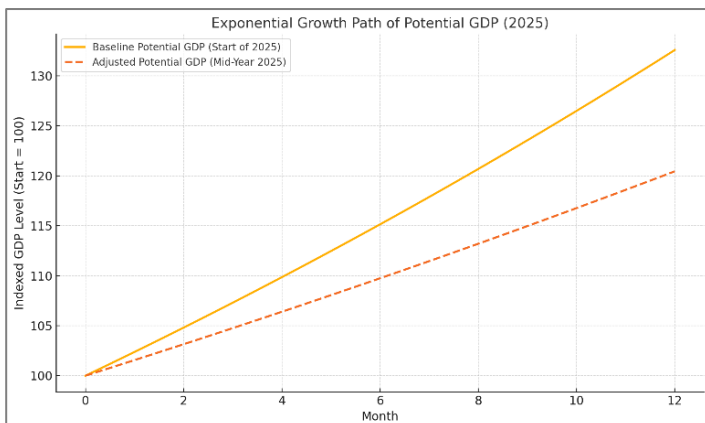
However, as the year progressed, four emerging risks began to weigh on the outlook:

Risk Factor	Estimated Drag on 2025 GDP
Rising tariffs & trade tensions	-0.3%
Student loan payment resumption	-0.2%
Elevated long-term interest rates & credit risk	-0.2%
Geopolitical instability (Middle East)	-0.1%
Cumulative impact	-0.8%

Revised GDP Outlook for 2025

New projected range: 1.4%–1.7%

This lower range still reflects **positive growth**, but with momentum slowing due to policy headwinds and global uncertainty.



Source: IMF World Economic Outlook, JP Morgan, Goldman Sachs, and Federal Reserve Economic Projections

What This Means for Investors

We believe this is a late-cycle environment, characterized by slower growth, rather than stagflation or recession. The labor market remains resilient, with unemployment at 4.2%. That stability helps support continued consumer spending, which drives roughly 70% of U.S. GDP.

For investors, the focus now should be on quality, diversification, and consistent cash flow. Key areas of opportunity include:

- **Ginnie Mae Securities (GNMAs):**
Ginnie Mae securities offer a higher yield than U.S. Treasuries and now carry a slightly higher credit rating (AAA vs. Aa1) following Moody’s downgrade of U.S. debt. They are fully backed by the U.S. government and secured by the underlying mortgage properties, providing a strong layer of protection. In addition, they offer monthly cash flows, delivering more consistent income than Treasuries, which pay semiannually.
- **Quality U.S. Equities:**
Large, financially strong companies—those with pricing power and steady earnings—are well-positioned in volatile markets. These "quality equities" typically include well-known names like Amazon, Microsoft, and Meta, which have strong balance sheets and pricing power.
- **Large-Cap Dividend Stocks:**
Especially in defensive sectors like Consumer Staples and Utilities, these provide income and downside protection. These companies tend to offer consistent cash flows, even during periods of economic uncertainty, as demand for their products and services remains steady. Their attractive dividend yields can help offset limited capital appreciation, while their lower volatility can make them a valuable anchor in a diversified portfolio.
- **Market-Neutral Strategies:**
Designed to generate returns regardless of market direction, these strategies aim to reduce overall volatility and add diversification.

Bottom Line:

Growth is slowing, but the economy remains fundamentally sound. By staying diversified and focusing on quality and income, we believe portfolios can navigate this environment with resilience.

Make a Quick Buck and Set Home Priorities

— By Lucy Foerster, FPQP®

Client Relations Coordinator



Do you have items in your home that collect dust or that you don't really use anymore? Have we let consumerism take over our lives? Does cleaning all the extra and unused stuff in your home stress you out? Have you thought about what actually makes you happy – hot take – the answer isn't stuff. These are some questions that I ask

myself every few months when my one bedroom condo is feeling a little tight.

As I have written before, I have spent a lot of time in the past five years downsizing the things in my home. The decluttering has opened space and taught me to really think about making purchases before letting the impulse desires take over. It has also made room for less stress. Decluttering has also given me the ability to make a few quick bucks.

Over time I have utilized a few avenues to get things out of my place but the one that I use most often is Facebook Marketplace. It is easy and free to use which is nice, because a secondhand shop will take a take a commission for the consignment sale. Facebook Marketplace provides a convenient platform to turn unused items into money while contributing to sustainable, secondhand shopping.

Launched in 2016, Facebook Marketplace has grown into one of Meta's biggest success stories. With 1.1 billion users across 70 countries, it competes with eBay and Craigslist, according to BusinessDasher.

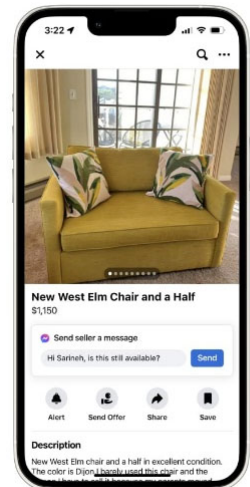
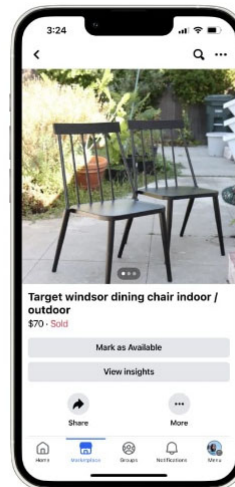
"Marketplace is the flea market of the internet," said Charles Lindsay, an associate professor of marketing at the University of Buffalo. "There's a massive amount of consumer-to-consumer business." According to ThredUp, Marketplace has tapped into the booming resale market, which is projected to hit \$350 billion by 2027. Looks like I am not the only person who has enjoy the concept of reselling items to make some cash on the side.

Unlike eBay or Etsy, Marketplace doesn't charge listing fees, and local pickups help avoid shipping costs, according to Facebook's Help Center.

Here are a few things that I have learned along the way:

- Local sales only because no one wants to deal with shipping costs, plus you never know if there is a scam situation around the corner.

- Personally, I only do cash interactions. Call me old fashioned but there is nothing better than cash.
- Do your research, it pays to be patient and price your stuff competitively. You can do your market research right on Facebook Marketplace. Search for the same or similar items and filter by "sold" to get a sense for the going rate.
- Include well-lit photos showcasing the item in use and when possible, include original packaging, aim for 6-8 photos (also make sure you spend some time cleaning up the item, no one wants to buy your junk).
- Draw the attention of your buyers with a good title, this is the first thing buyers see during a search. If you're selling a brand name item, make sure this is first in the title followed by any model or spec details. Add in any important size/measurement details, too, and look at other successful listings to check for any other keywords that were included in titles.
- Patience pays, being overeager to sell can make you more susceptible to scams, says Ian Bednowitz, general manager of LifeLock. Take the time to read messages and look for signs of sketchiness before agreeing to a sale.
- Lastly, depending on the item, you can have the people come to your home or pick a safe space to meet up. I tend to meet at the Starbucks across the street from where I live, there are always people there and there is free parking.



Something that I have learned when downsizing the items in my home is reprioritization. Advertisers work hard to sell us a version of the American dream that would have us believe that we constantly need to buy new things to be happy. Realizing that just because I can buy something doesn't mean I actually need to buy it and even further, buying things won't make me happy. I am happiest in community, doing the simple things and enjoying experiences.

Community Corner

The 200 Club of Greater Miami

Both Tonkinson Financial and The Tonkinson Foundation loves supporting The 200 Club of Greater Miami. The organization provides significant financial support for families of law enforcement officers and fire fighters who lost their lives in the line of duty. The Club supports police at the local, state and federal levels. Since its inception in 1968, The Two Hundred Club has made benefit payments and contributions in excess of \$1,000,000.

The concept of the "Hundred Clubs" was born in Detroit in 1952. Following the fatal shooting of a young Detroit officer, a gentleman by the name of William M. Packer, the largest Pontiac Dealer in the nation, who was a friend of the Police Commissioner, wrote to 100 of his friends encouraging them to donate to a fund for the fallen officer. The response was 100%. Packer and the Commissioner met with the expectant widow, reviewed her finances and arranged to support the family.



Account Access

Did you know that you can access more than just your NFS accounts at Commonwealth? If you have an annuity account, you can sign up directly with the company for an online account to see your account values and performance. Visit www.tonkinsonfinancial.com and click on "Client Login."

Disclosures

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Investing in individual stock involves principal risk – the chance that you won't get all the money back that you originally invested—market risk, underlying securities risk, and secondary market price. Talk to your financial advisor before making any investing decisions.

Diversification does not assure a profit or protect against loss in declining markets and cannot guarantee that any objective or goal will be achieved.

Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Past performance is no guarantee of future results.

Certificates of deposits (CDs) typically offer a fixed rate of return if held to maturity, are generally insured by the FDIC or another government agency and may impose a penalty for early withdrawal.

DJ Industrial Average (DJIA): Computed by summing the prices of the stocks of 30 companies and then dividing that total by an adjusted value—one that has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are invested to reflect the actual performance of the underlying securities. NASDAQ Composite Index: Measures the performance of all issues listed on the NASDAQ Stock Market, except for the rights, warrants, units and convertible debentures. Bloomberg Global Aggregate Bond: This index provides a broad-based measure of the global investment-grade, fixed-rate debt markets.

MSCI China: This free-float adjusted capitalization-weighted index is designed to measure the performance of China-based equities. MSCI EAFE (Morgan Stanley Capital International Europe, Australia, Far East): This index is a capitalization-weighted index that tracks the total return of common stocks in 21 developed-market countries within Europe, Australia and the Far East. MSCI Emerging Markets EMEA: This index captures large and mid-cap representation across 8 Emerging Markets (EM) countries in Europe, the Middle East and Africa (EMEA). With 139 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Russell 2000: This index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. Standard and Poor's (S&P) 500: This index tracks the performance of 500 widely held, large-capitalization U.S. stocks. S&P Consumer Discretionary: A market capitalization weighted index that tracks the performance of consumer discretionary companies. S&P Consumer Staples: A market capitalization weighted index that tracks the performance of consumer staples companies. S&P Energy: A market capitalization weighted index that tracks the performance of energy companies. S&P Health Care: A market capitalization weighted index that tracks the performance of health care companies. S&P Materials: A market capitalization weighted index that tracks the performance of materials companies. S&P Technology: A market capitalization weighted index that tracks the performance of technology companies. S&P Utilities: A market capitalization weighted index that tracks the performance of utility companies.

GNMA prices are sensitive to interest rates. When interest rates rise, the market value of outstanding GNMA bonds generally declines. Changes in interest rates can also impact mortgage prepayment rates, which in turn affect a bond's average life and yield. If mortgage holders prepay their loans earlier than expected, the principal may be returned to investors sooner, potentially requiring reinvestment at lower rates. Conversely, delayed prepayments may result in missed opportunities to reinvest at higher rates. All bonds are subject to credit risk, including the risk that the issuer will default or fail to make timely interest or principal payments. U.S. government backing of agency securities applies only to the underlying securities and does not prevent market price fluctuations.