

# Town of Branford Volunteer Fire Incentive Plan

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## 1Q23 Performance Review

This presentation has been prepared specifically for the Town of Branford for use at a meeting May 22, 2023.

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# Factor Performance

2008 - 2022

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	Ann.	Vol.
Min. Vol.	Value	Small Cap	High Div.	Cyclical	Value	Value	Momen.	Small Cap	Momen.	Min. Vol.	Cyclical	Momen.	Value	Defens.	Cyclical	Min. Vol.	Small Cap
-25.7%	38.8%	26.9%	14.3%	20.1%	43.2%	17.7%	9.3%	21.3%	37.8%	1.5%	36.3%	29.6%	29.2%	5.3%	12.6%	9.5%	23.2%
Defens.	Cyclical	Multi-Factor	Min. Vol.	Value	Small Cap	Min. Vol.	Min. Vol.	High Div.	Cyclical	Momen.	Quality	Cyclical	Cyclical	High Div.	Quality	Momen.	Value
-26.7%	36.9%	18.3%	12.9%	16.8%	38.8%	16.5%	5.6%	16.3%	27.3%	-1.6%	34.4%	27.8%	27.6%	-3.8%	9.2%	9.2%	21.4%
High Div.	Multi-Factor	Momen.	Defens.	Small Cap	Multi-Factor	High Div.	Quality	Value	Quality	High Div.	Momen.	Small Cap	Quality	Min. Vol.	Multi-Factor	Quality	Cyclical
-27.6%	29.8%	18.2%	10.1%	16.3%	37.4%	14.9%	4.6%	15.9%	22.5%	-2.3%	28.1%	20.0%	27.2%	-9.2%	4.6%	9.2%	20.9%
Quality	Small Cap	Cyclical	Quality	Multi-Factor	Cyclical	Multi-Factor	Cyclical	Cyclical	Value	Defens.	Min. Vol.	Quality	Multi-Factor	Value	Small Cap	High Div.	Momen.
-31.2%	27.2%	17.9%	7.5%	15.7%	35.0%	14.8%	2.6%	14.0%	22.2%	-2.9%	28.0%	17.1%	25.1%	-14.0%	2.7%	9.1%	19.0%
Small Cap	Quality	High Div.	Multi-Factor	Momen.	Momen.	Momen.	High Div.	Multi-Factor	Multi-Factor	Cyclical	Value	Multi-Factor	Defens.	Multi-Factor	Value	Cyclical	Multi-Factor
-33.8%	24.9%	15.9%	7.3%	15.1%	34.8%	14.7%	0.7%	13.7%	21.5%	-5.3%	27.7%	11.4%	25.0%	-15.5%	2.5%	8.9%	18.5%
Value	High Div.	Min. Vol.	Momen.	Quality	Quality	Cyclical	Multi-Factor	Min. Vol.	High Div.	Quality	Multi-Factor	Min. Vol.	High Div.	Momen.	Min. Vol.	Multi-Factor	Quality
-36.9%	18.4%	14.7%	6.1%	12.8%	34.3%	13.6%	0.4%	10.7%	19.5%	-5.6%	26.6%	5.8%	21.9%	-17.4%	1.3%	8.5%	17.0%
Multi-Factor	Min. Vol.	Quality	Value	Min. Vol.	High Div.	Defens.	Defens.	Quality	Min. Vol.	Multi-Factor	Small Cap	Defens.	Min. Vol.	Quality	High Div.	Defens.	High Div.
-39.3%	18.4%	14.2%	-2.7%	11.2%	28.9%	13.0%	-0.9%	9.4%	19.2%	-9.7%	25.5%	5.2%	21.0%	-20.3%	-0.7%	8.3%	15.7%
Momen.	Momen.	Value	Cyclical	Defens.	Defens.	Quality	Small Cap	Defens.	Small Cap	Small Cap	High Div.	High Div.	Small Cap	Small Cap	Defens.	Value	Defens.
-40.9%	17.6%	12.7%	-3.4%	10.7%	28.9%	10.7%	-4.4%	7.7%	14.6%	-11.0%	22.5%	1.7%	14.8%	-20.4%	-3.0%	8.0%	14.5%
Cyclical	Defens.	Defens.	Small Cap	High Div.	Min. Vol.	Small Cap	Value	Momen.	Defens.	Value	Defens.	Value	Momen.	Cyclical	Momen.	Small Cap	Min. Vol.
-44.8%	16.5%	12.0%	-4.2%	10.6%	25.3%	4.9%	-6.4%	5.1%	12.3%	-11.1%	21.4%	-0.2%	12.9%	-27.2%	-4.2%	7.2%	13.9%

Source: FactSet, MSCI, Russell, Standard & Poor's, J.P. Morgan Asset Management. The MSCI High Dividend Yield Index aims to offer a higher-than-average dividend yield relative to the parent index that passes dividend sustainability and persistence screens. The MSCI Minimum Volatility Index optimizes the MSCI USA Index using an estimated security co-variance matrix to produce low absolute volatility for a given set of constraints. The MSCI Defensive Sectors Index includes Consumer Staples, Energy, Health Care, and Utilities. The MSCI Cyclical Sectors Index contains Consumer Discretionary, Communication Services, Financials, Industrials, Information Technology, and Materials. Securities in the MSCI Momentum Index are selected based on a momentum value of 12-month and 6-month price performance. Constituents of the MSCI Sector Neutral Quality Index are selected based on stronger quality characteristics than their peers within the same GICS sector by using three main variables: high return-on-equity, low leverage, and low earnings variability. Constituents of the MSCI Enhanced Value Index are based on three variables: price-to-book value, price-to-forward earnings, and enterprise value-to-cash flow from operations. The Russell 2000 is used for small caps. The MSCI USA Diversified Multiple Factor Index aims to maximize exposure to four factors – Value, Momentum, Quality, and Size. Annualized volatility is calculated as the standard deviation of quarterly returns multiplied by the square root of 4. Guide to the Markets – U.S. Data are as of March 31, 2023.

# Performance Summary

Index Performance as of: 12/31/2022

	<u>3 Month</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>		<u>3 Month</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
<b>Russell</b>							<b>Other U.S. Equity</b>						
<b>3000 Value</b>	12.18	-7.98	-7.98	5.88	6.50	10.16	<b>Dow Jones Industrial Avg.</b>	16.01	-6.86	-6.86	7.32	8.38	12.30
<b>3000</b>	7.18	-19.21	-19.21	7.07	8.79	12.13	<b>Wilshire 5000 (Full Cap)</b>	6.72	-20.15	-20.15	6.70	8.42	11.87
<b>3000 Growth</b>	2.31	-28.97	-28.97	7.32	10.45	13.75	<b>International Equity - Broad Market</b>						
<b>1000 Value</b>	12.42	-7.54	-7.54	5.96	6.67	10.29	<b>MSCI EAFE</b>	17.34	-14.45	-14.45	0.87	1.54	4.67
<b>1000</b>	7.24	-19.13	-19.13	7.35	9.13	12.37	<b>MSCI EM</b>	9.70	-20.09	-20.09	-2.69	-1.40	1.44
<b>1000 Growth</b>	2.20	-29.14	-29.14	7.79	10.96	14.10	<b>MSCI Frontier Markets</b>	-0.83	-26.34	-26.34	-3.65	-2.47	3.23
<b>Mid Cap Value</b>	10.45	-12.03	-12.03	5.82	5.72	10.11	<b>MSCI ACWI</b>	9.76	-18.36	-18.36	4.00	5.23	7.98
<b>Mid Cap</b>	9.18	-17.32	-17.32	5.88	7.10	10.96	<b>MSCI ACWI Ex USA</b>	14.28	-16.00	-16.00	0.07	0.88	3.80
<b>Mid Cap Growth</b>	6.90	-26.72	-26.72	3.85	7.64	11.41	<b>MSCI AC Asia Ex Japan</b>	11.35	-19.67	-19.67	-1.46	-0.64	3.57
<b>2000 Value</b>	8.42	-14.48	-14.48	4.70	4.13	8.48	<b>International Equity - Country Region</b>						
<b>2000</b>	6.23	-20.44	-20.44	3.10	4.13	9.01	<b>MSCI Brazil</b>	2.35	14.15	14.15	-8.60	-0.82	-1.75
<b>2000 Growth</b>	4.13	-26.36	-26.36	0.65	3.51	9.20	<b>MSCI BRIC</b>	8.90	-21.12	-21.12	-6.26	-2.62	1.22
<b>Standard &amp; Poors</b>							<b>MSCI China</b>	13.52	-21.93	-21.93	-7.50	-4.54	2.43
<b>S&amp;P 500</b>	7.56	-18.11	-18.11	7.66	9.42	12.56	<b>MSCI Europe</b>	19.35	-15.06	-15.06	1.35	1.87	4.58
<b>Consumer Disc</b>	-10.18	-37.03	-37.03	1.46	6.14	11.74	<b>MSCI India</b>	1.98	-7.95	-7.95	10.32	6.01	7.43
<b>Consumer Staples</b>	12.72	-0.62	-0.62	9.30	8.83	11.03	<b>MSCI Japan</b>	13.23	-16.65	-16.65	-0.99	0.23	5.55
<b>Energy</b>	22.81	65.72	65.72	19.34	9.25	5.97	<b>MSCI EM Latin America</b>	5.73	8.92	8.92	-4.79	-1.08	-2.15
<b>Financials</b>	13.61	-10.53	-10.53	5.90	6.42	12.16	<b>MSCI Russia</b>	0.00	-100.00	-100.00	-98.97	-92.98	-73.84
<b>Health Care</b>	12.80	-1.95	-1.95	11.95	12.53	15.05							
<b>Industrials</b>	19.22	-5.48	-5.48	8.33	7.36	11.94							
<b>Information Technology</b>	4.74	-28.19	-28.19	11.60	15.81	18.33							
<b>Materials</b>	15.05	-12.27	-12.27	10.47	7.45	9.80							
<b>Real Estate</b>	3.82	-26.13	-26.13	1.85	5.91	7.78							
<b>Telecom Services</b>	-1.38	-39.89	-39.89	-3.33	0.95	4.26							
<b>Utilities</b>	8.64	1.57	1.57	6.29	9.58	11.09							

Source: Morningstar

# Performance Summary

Index Performance as of: 12/31/2022

	<u>3 Month</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>		<u>3 Month</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
<b>Fixed Income</b>							<b>Fixed Income-Tax Exempt</b>						
Barclays U.S. Aggregate	1.87	-13.01	-13.01	-2.71	0.02	1.06	Barclays Municipal	4.10	-8.53	-8.53	-0.77	1.25	2.13
Barclays US Aggregate 1-3 Yr	0.90	-3.72	-3.72	-0.42	0.86	0.86	Barclays Municipal 3 Yr	2.08	-3.39	-3.39	-0.04	1.05	1.06
Barclays US Aggregate 3-5 Yr	1.67	-7.84	-7.84	-1.46	0.57	1.09	Barclays Municipal 5 Yr	3.05	-5.26	-5.26	-0.29	1.23	1.53
Barclays US Aggregate 5-7 Yr	2.07	-10.78	-10.78	-2.01	0.37	1.08	Barclays Municipal 7 Yr	3.67	-5.97	-5.97	-0.27	1.48	1.96
BofAML 3-Month T-Bill	0.84	1.46	1.46	0.72	1.26	0.76	Barclays HY Muni	3.48	-13.10	-13.10	-0.59	2.63	3.49
Barclays U.S. Gov't	0.72	-12.32	-12.32	-2.57	-0.06	0.60	<b>Alternative Investments</b>						
Barclays U.S. Credit	3.44	-15.26	-15.26	-2.86	0.42	1.82	Alerian MLP	10.11	30.92	30.92	9.38	4.08	1.99
Barclays High Yield Corp.	4.17	-11.19	-11.19	0.05	2.31	4.03	Bloomberg Commodity	2.22	16.09	16.09	12.65	6.44	-1.28
Barclays TIPS	2.04	-11.85	-11.85	1.21	2.11	1.12	FTSE NAREIT Equity REIT	5.24	-24.37	-24.37	-0.11	3.68	6.53
Barclays Global Aggregate	6.81	-18.70	-18.70	-5.94	-3.07	-1.64	S&P Global Natural Res.	17.23	10.32	10.32	11.62	7.34	4.89
Barclays Gbl Agg Ex USD	4.55	-16.25	-16.25	-4.48	-1.66	-0.44	S&P N. Amer Natural Res.	18.25	34.07	34.07	14.97	7.13	4.05
JPM EMBI Global Div	7.44	-16.45	-16.45	-4.49	-1.00	1.35							

Source: Morningstar

# Market review & outlook

## 2022 Was a Difficult Year for both Stocks and Bonds



- Global markets moved higher for most of the quarter as signs emerged that inflation may have peaked. However, some of the quarter's gains were given back in December as fears of an economic slowdown and further Federal Reserve tightening weakened sentiment.
- Overall, Treasury yields saw modest changes during the quarter, outside of the short end of the curve where rates rose in line with Fed tightening. The 10-year Treasury yield peaked at 4.25% in late October, before moving lower and ending the quarter at 3.9%.
- The Bloomberg Aggregate Bond Index rose 1.9% in Q4, leaving it down 13% in 2022. The MSCI ACWI index rose 9.8%, but still ended the year 18.4% lower. For the calendar year, the simultaneous drawdown in both stocks and bonds left a traditional 60/40 portfolio down 16%.

## Outlook Remains Uncertain

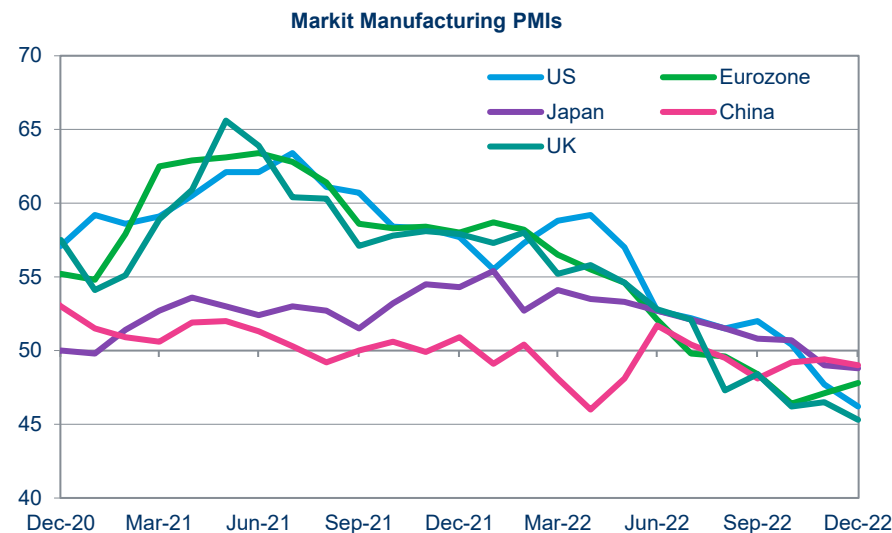


- The drawdown in stocks and bonds last year appears to be a reasonable response to the Federal Reserve's ('Fed') tightening cycle and the resulting uncertainty for economic growth. The decline in equities can be explained by the rise in interest rates putting downward pressure on valuations. The outlook for inflation and its impact on Fed policy likely will remain the key driver of markets' direction in 2023.
- Encouragingly, inflationary pressures appear to be easing. A warmer than usual winter in Europe has eased energy supply and price concerns overseas. Energy prices in the US are also off of their peak levels, which should lead the headline inflation rate lower over time. The gradual easing of supply chain issues and weaker demand could also slow core inflation. Shelter inflation is also showing signs of a potential peak. One concern for the inflation outlook is the labor market which remains strong. Another concern is that the re-opening of China's economy could drive increased demand, particularly for commodities.
- US GDP grew in the third quarter after modest declines in the first half of the year. However, the tightening of financial conditions is only just beginning to be felt. The drag likely will intensify in 2023, increasing the risk of at least a mild recession.
- A mild recession that reduces inflation could prove supportive of both stock and bond markets. The prospect of the Fed halting rate increases and a fall in longer-term interest rates could more than offset the negative impact of weak earnings for equities in a mild recession. The biggest downside risk we see for balanced portfolios is if inflation remains sticky even as the economy slows. This could require a more forceful Fed response and a deeper recession. This likely would result in continued weakness in stocks and bonds.

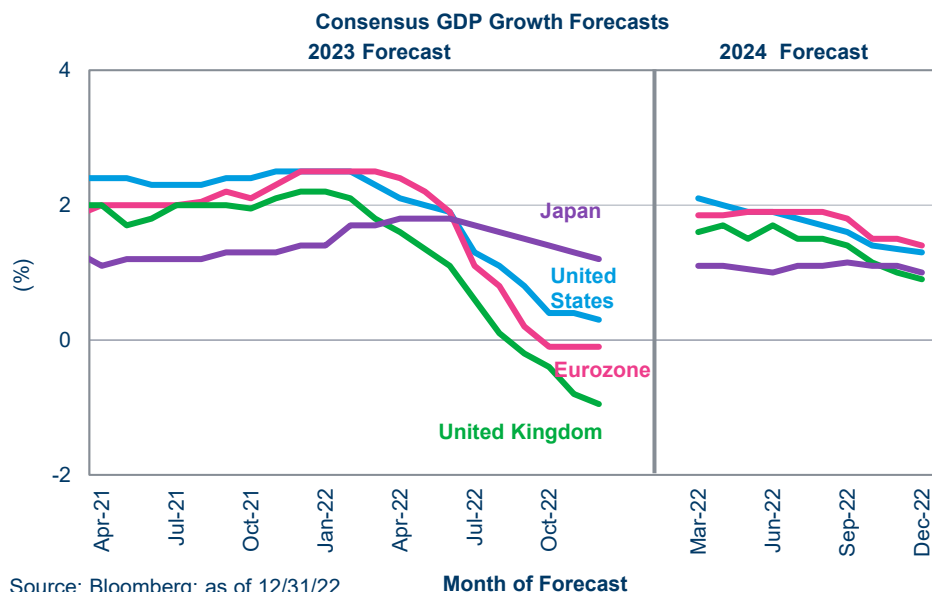
# Economic fundamentals

## Growth outlook deteriorating amid tightening financial conditions

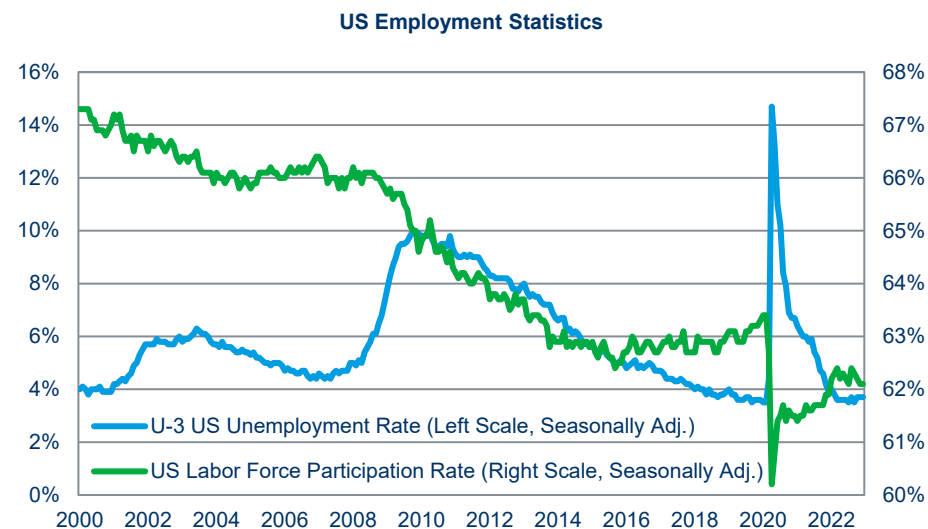
- The growth outlook continues to weaken as inflation drives most developed market central banks to maintain their hawkish stances. Consensus growth forecasts for 2023 continue to move lower for most regions.
- Manufacturing PMIs are at contractionary levels for most major regions amid a weakening demand outlook. The re-opening of China's economy could put upward pressure on demand in 2023.
- The US labor market remains tight, with the unemployment rate (U-3)<sup>1</sup> ending the year at 3.5%. However, wage growth has recently shown signs of moderation. The labor force participation rate remains roughly one percentage point below its pre-Covid level.



Source: Bloomberg; as of 12/31/22



Source: Bloomberg; as of 12/31/22



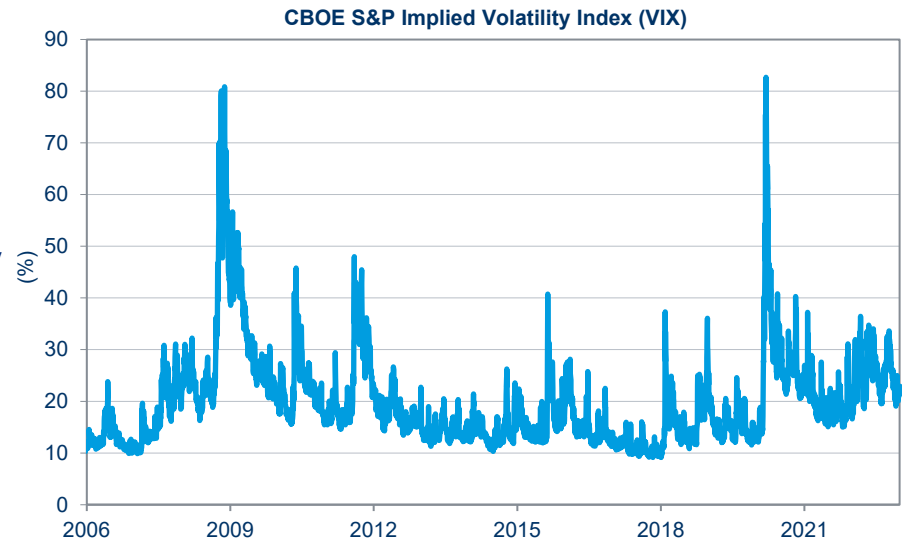
Source: Bureau of Labor Statistics; as of 12/31/22

<sup>1</sup> The U-3 unemployment rate represents the percentage of the civilian labor force that is jobless and actively seeking employment.

# Risk factors

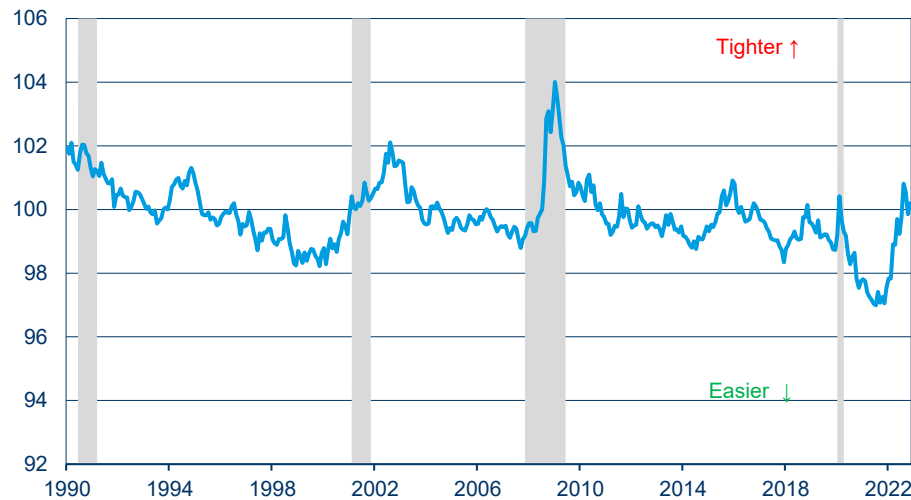
## US inflation slows, but remains elevated

- US inflation moved lower during the quarter, but remains elevated. The recent downtrend is encouraging, but more sustained evidence is likely needed for the Federal Reserve to consider ending its tightening cycle.
- The VIX Volatility Index fell from 31 to 22 during the quarter. The index initially moved lower at a fairly steady pace before leveling out for most of December<sup>1</sup>.
- Financial conditions were mostly unchanged during the quarter, with the Goldman Sachs US Financial Conditions Index easing slightly.
- The Russia - Ukraine conflict continues to cause geopolitical uncertainty and fears of potential escalation.



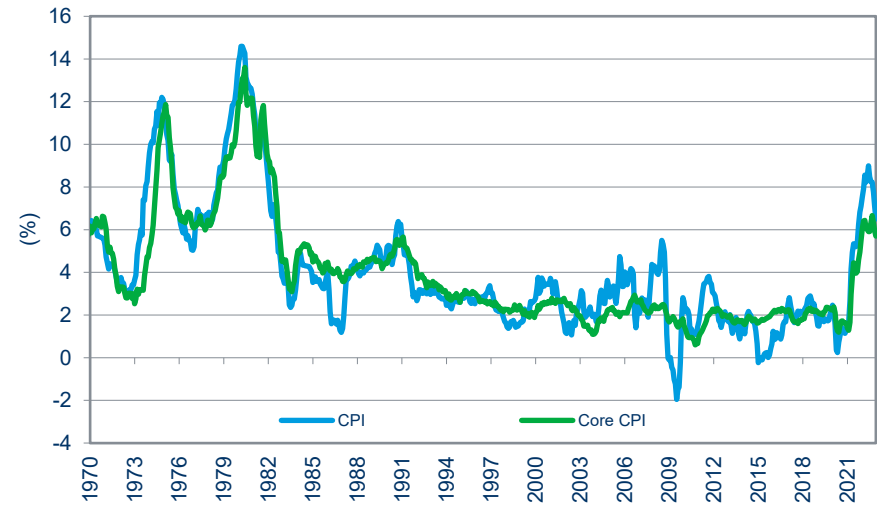
Source: Bloomberg; as of 12/31/22

Goldman Sachs US Financial Conditions Index



Source: Bloomberg; as of 12/31/22

Inflation Rolling 12-months



Source: Bloomberg; through 12/31/22

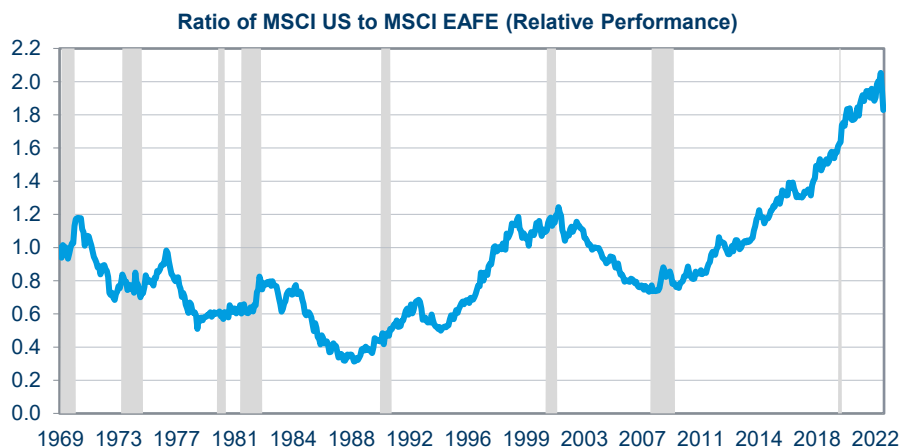
<sup>1</sup> Source: Bloomberg; as of 12/31/22



# Regional equity returns

## Global equities rebounded, but posted significant declines for 2022

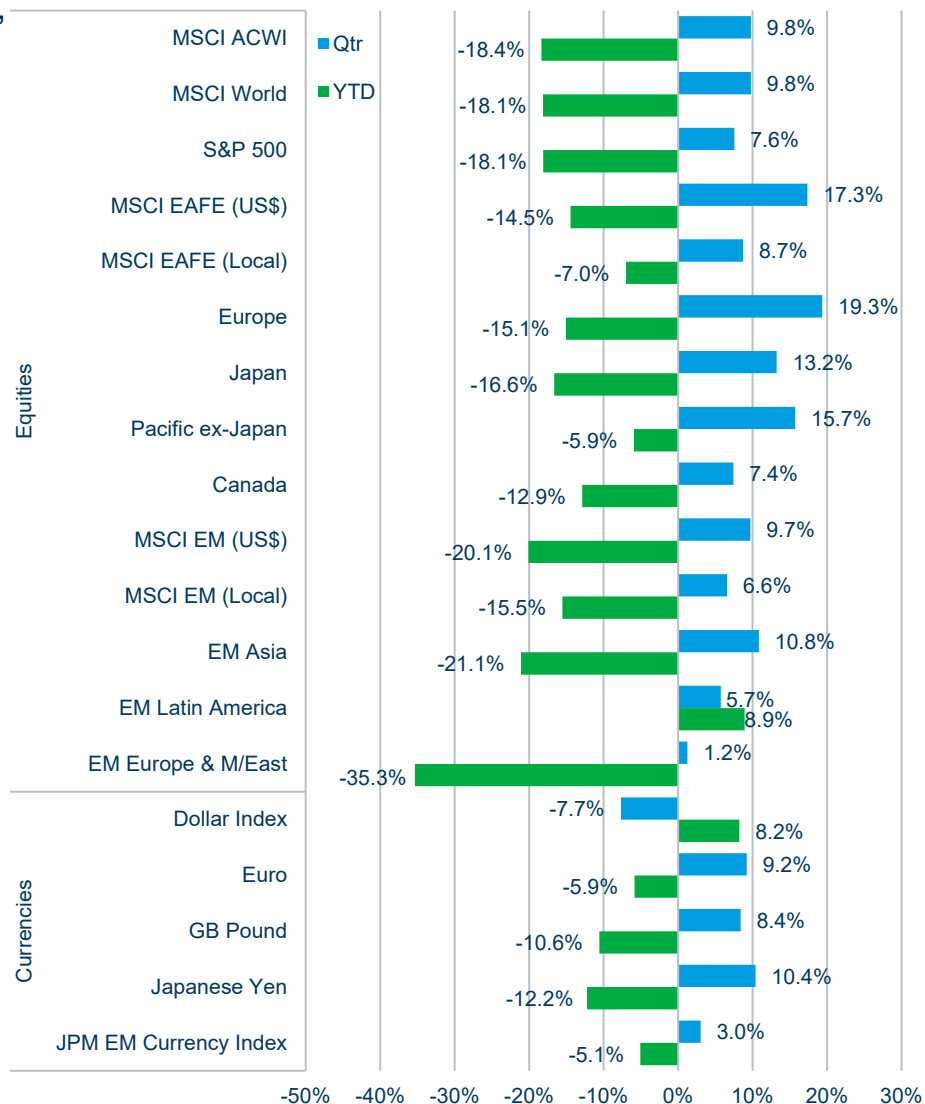
- We will not shed a tear that 2022 is now in the rearview mirror. Although global equities posted gains during Q4, with the MSCI ACWI index rising 9.8%, the index finished 2022 down 18.4%.
- The S&P 500 gained 7.6% during the quarter, and finished the year down 18.1%.
- International developed stocks gained 17.3% in Q4, ending the year with a 14.5% decline. Despite the strength of the dollar in 2022, international developed stocks outperformed US stocks.
- Emerging market equities rose 9.7% in Q4, finishing 2022 with a 20.1% decline. Asian emerging markets were the best performing EM region during the quarter largely due to China's support for the property sector, monetary easing and a reduction in Covid restrictions.



Source: Datastream; as of 12/31/22

Past performance is no guarantee of future results

**Global Performance**

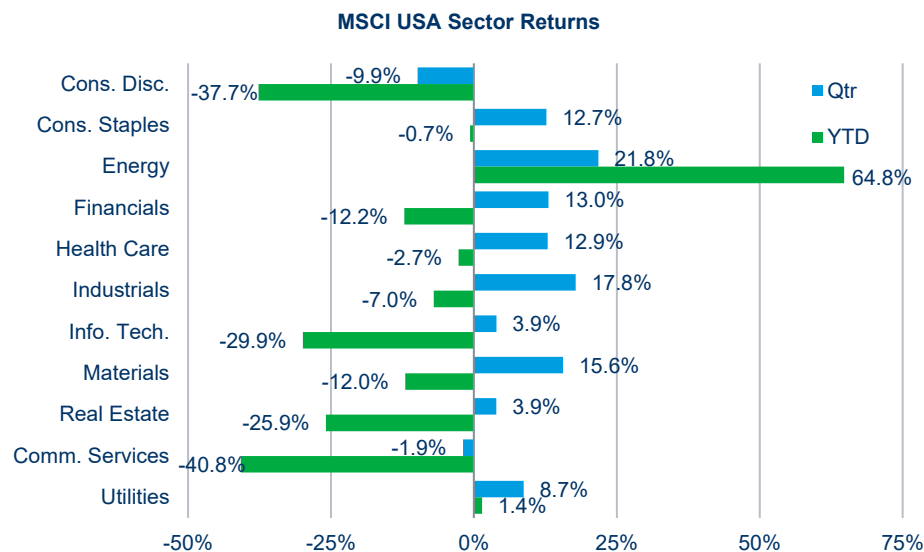


Source: Bloomberg, Datastream; as of 12/31/22

# US equity factor and sector returns

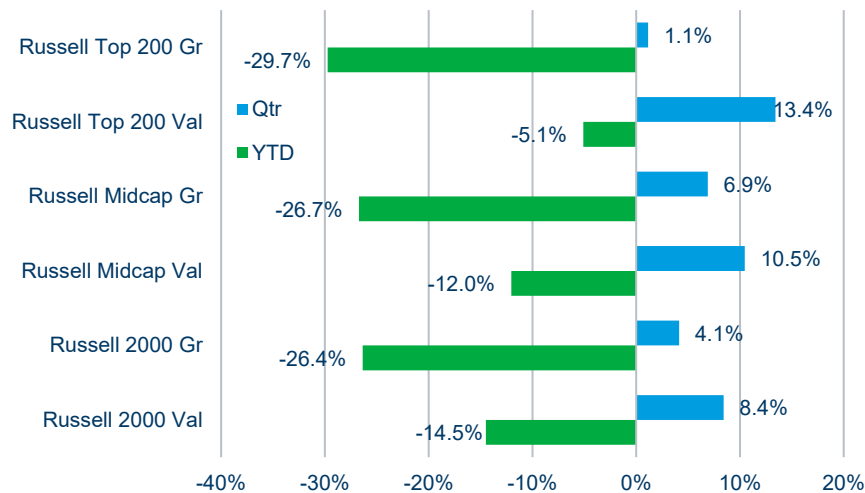
## Value stocks outperformed in 2022

- Small-caps modestly underperformed large-caps during Q4 and for the 2022 calendar year. Value stocks outperformed growth stocks by a wide margin for both the quarter and for the 2022 calendar year.
- The energy sector posted the strongest results in Q4 and finished the year up almost 65%. The consumer discretionary and communication services sectors were the only sectors to post declines during Q4 and were the worst performing sectors for 2022.



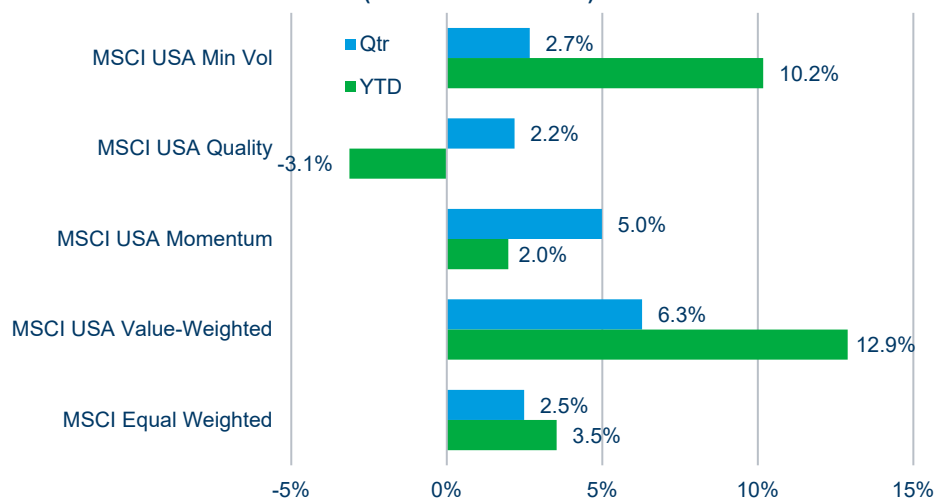
Source: Bloomberg; as of 12/31/22

**US Style Performance**



Source: Datastream; as of 12/31/22

**Relative Factor Performance (Relative to MSCI USA)**

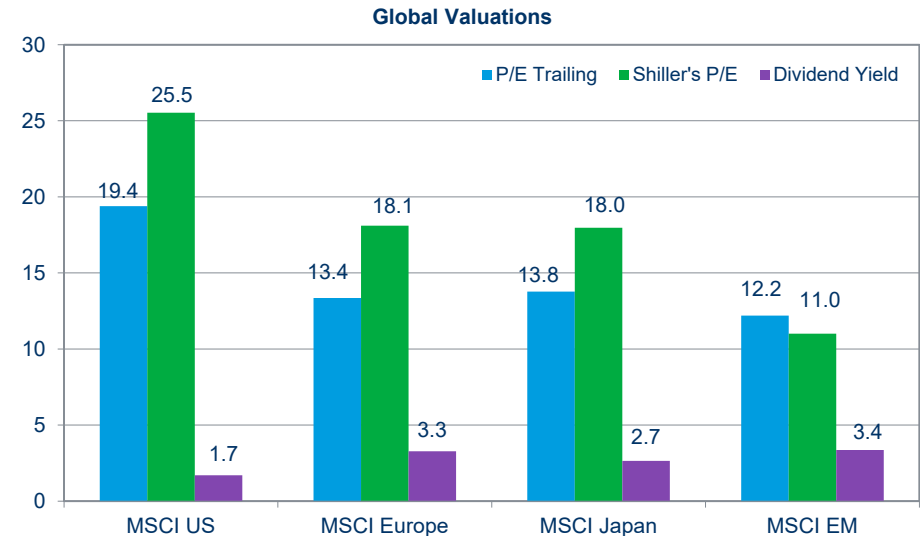


Source: MSCI; as of 12/31/22

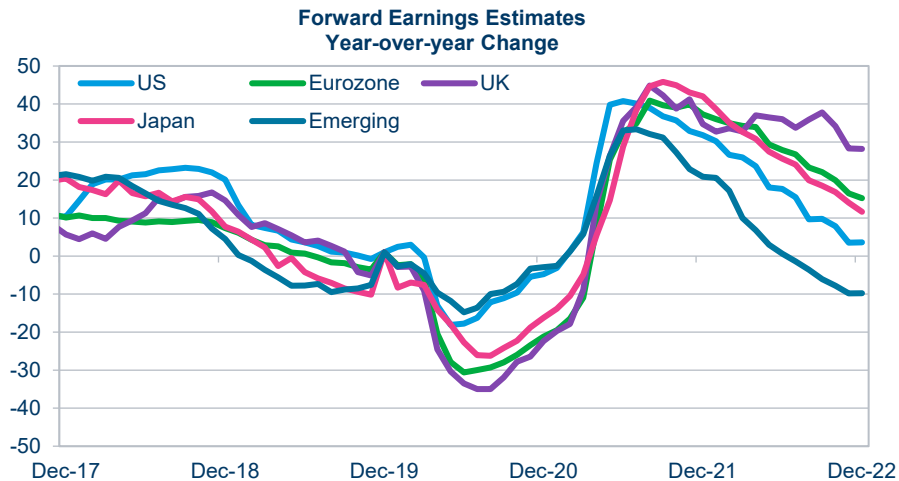
# Equity fundamentals

## Valuations worsened amid equity rebound

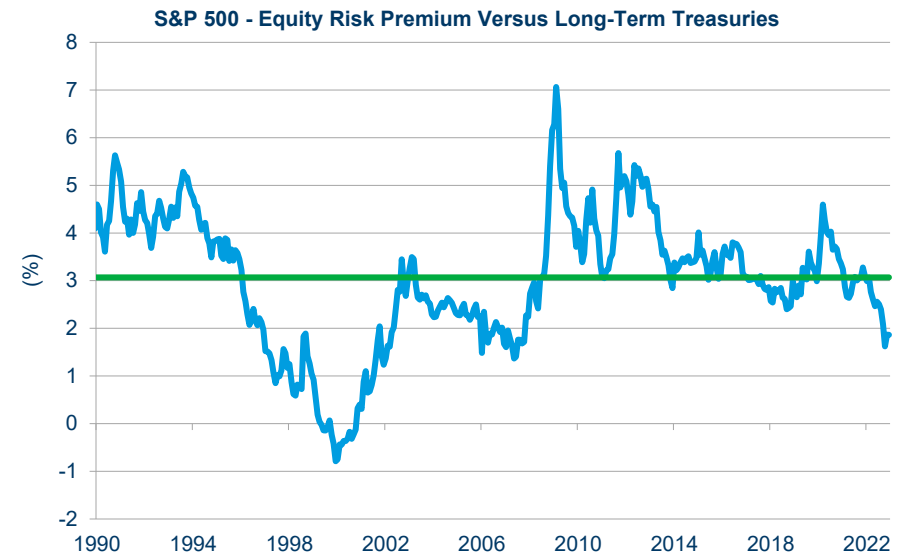
- Valuations multiples increased during the quarter due to the general increase in equity prices. The trailing P/E ratio on the MSCI US Index rose from 18.3 to 19.4<sup>1</sup>. We estimate that the equity risk premium over long-term Treasuries fell from 2.1% to 1.9%<sup>2</sup>, mostly due to rising valuations.
- International developed stocks remain more reasonably valued than US stocks. Energy prices have moderated in Europe due to a relatively warm winter, which should help to mitigate inflation concerns.
- Emerging market valuations remain more attractive than developed markets. The re-opening of China's economy should drive an increase in activity. Chinese officials also announced additional support for the property sector and new monetary easing policies during Q4.



Source: Bloomberg, Datastream, Mercer; as of 12/31/22



Source: Datastream; as of 12/31/22



Source: Bloomberg, Datastream, Mercer; as of 12/31/22

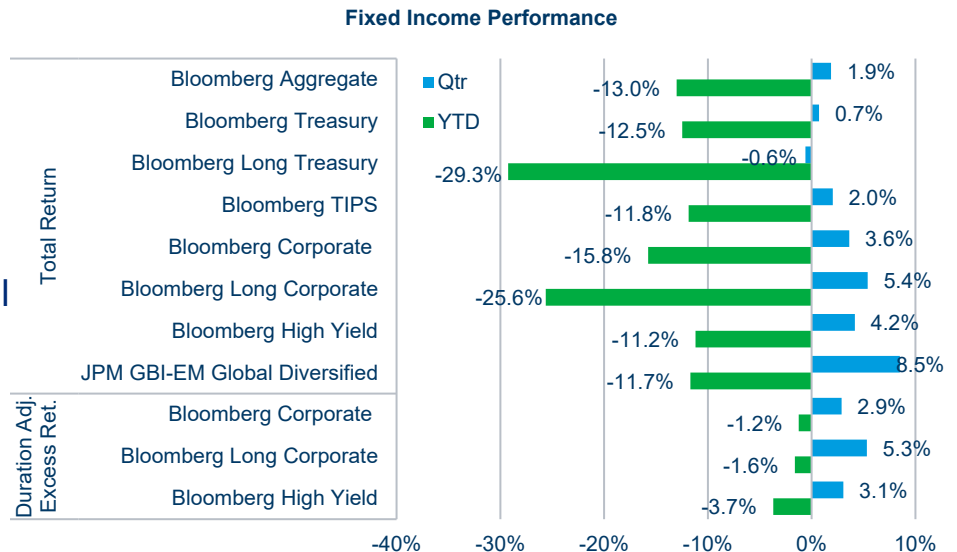
<sup>1</sup> Source: Refinitiv; as of 12/31/22

<sup>2</sup> Source: MSCI, Refinitiv, Mercer; as of 12/31/22

# Interest rates and fixed income

## Stable rates and declining spreads produced gains for most fixed income assets

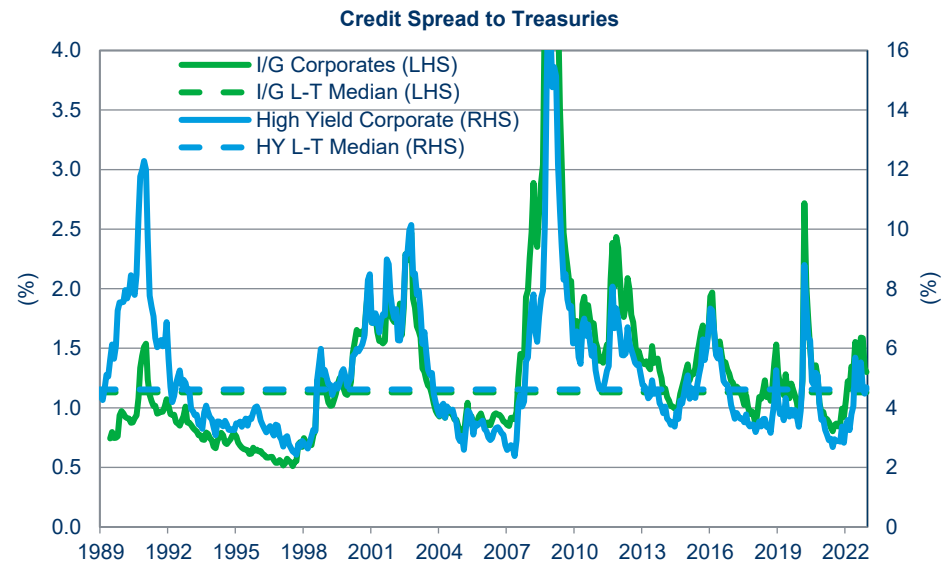
- The Bloomberg Aggregate gained 1.9% during the quarter. Treasuries gained 0.7%, lagging corporate bonds which gained 3.6%. The yield curve shifted higher at the short end of the curve, but otherwise saw modest changes during the quarter. The 3-month yield rose 109 bps, while the 30-year yield rose 18 bps<sup>1</sup>.
- Credit spreads on investment-grade corporate bonds fell 29 bps during the quarter to 1.3%, which is roughly 17 bps above the long-term median level<sup>2</sup>.
- High yield bonds gained 4.2% during the quarter, as credit spreads fell 84 bps to 4.7%. High yield spreads are 7 bps above the long-term median level of 4.6%<sup>2</sup>. Local currency EMD gained 8.5% during Q4.



Source: Bloomberg, Datastream; as of 12/31/22



Source: Bloomberg, Federal Reserve; as of 12/31/22



Source: Bloomberg; as of 12/31/22

<sup>1</sup> Source: Federal Reserve; as of 12/31/22

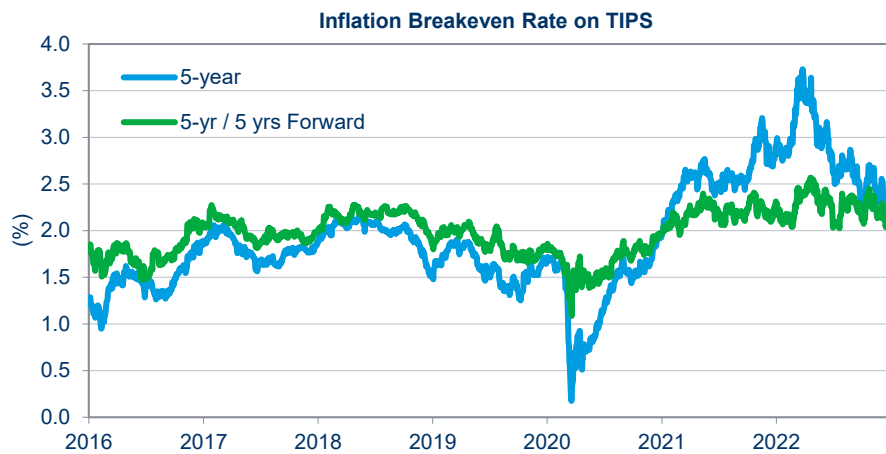
<sup>2</sup> Source: Bloomberg, Mercer; as of 12/31/22

Past performance is no guarantee of future results

# Monetary policy

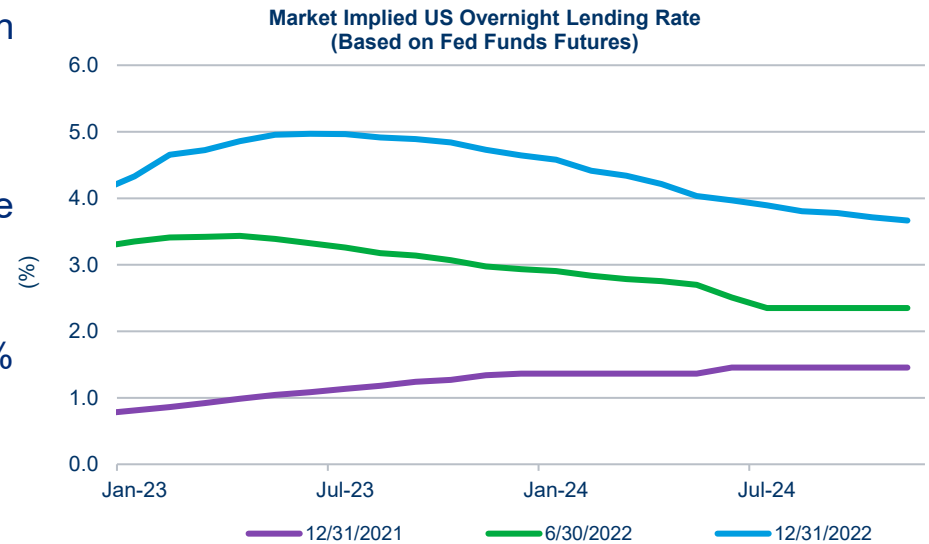
## Most central banks remain hawkish

- In December, the Federal Reserve raised rates by 50 bps following 4 consecutive 75 bp increases (in addition to 25 and 50 basis point moves implemented earlier in the year). This brought its policy rate to 4.25% - 4.5%. The Fed's December dot plot suggests another 75 bps of tightening in 2023, while the market is pricing in more modest tightening.
- US inflation breakeven rates rose during the quarter, with 10-year inflation breakeven rates rising from 2.15% to 2.3%, slightly below the Fed's target of 2% PCE (roughly 2.5% CPI)<sup>1</sup>.
- Overseas, most other central banks also raised rates, including the ECB and BOE. The notable exception was China, where easing measures were announced. The BOJ kept rate targets unchanged, but surprised markets by widening the band around its yield target.

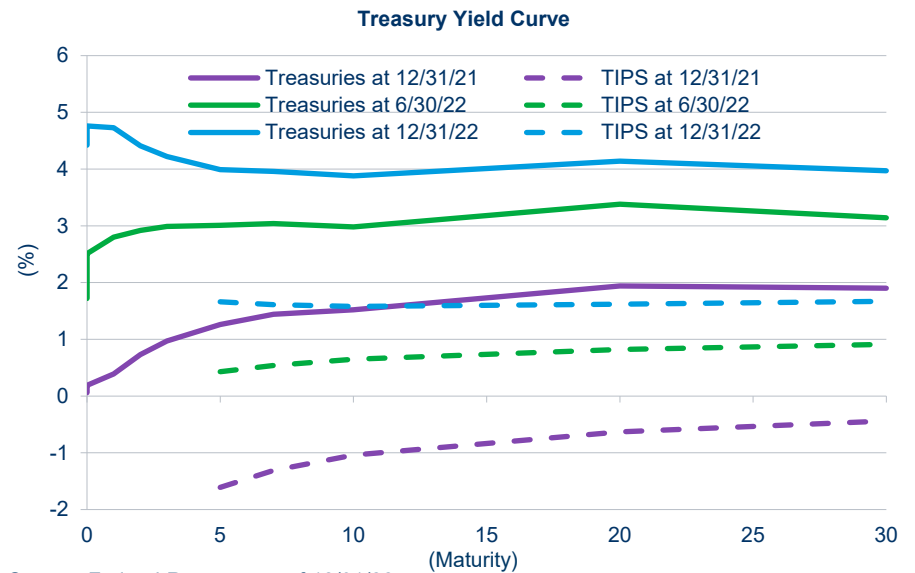


Source: Bloomberg, Mercer through 12/31/21

<sup>1</sup> Source: St. Louis Fed; as of 12/31/22



Source: Bloomberg; as of 12/31/22



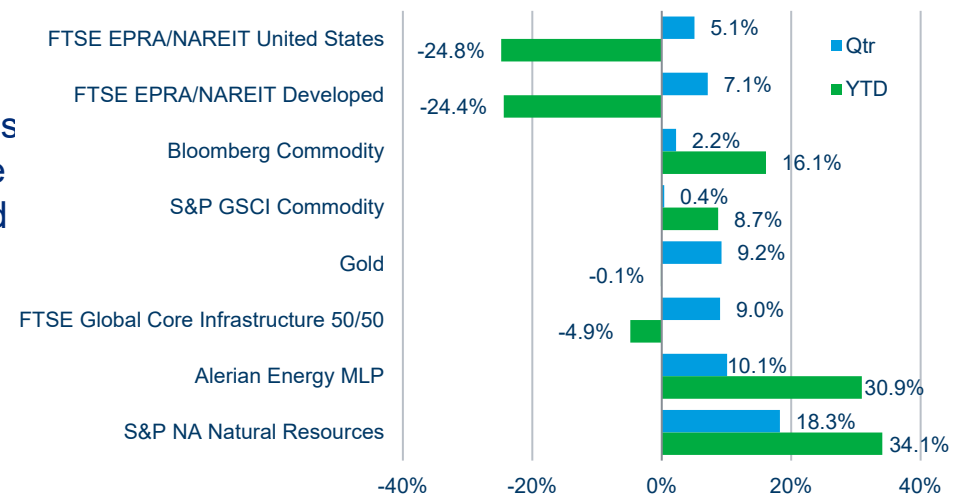
Source: Federal Reserve; as of 12/31/22

# Alternative investment performance

## Natural resources and MLPs outperformed, hedge funds delivered gains

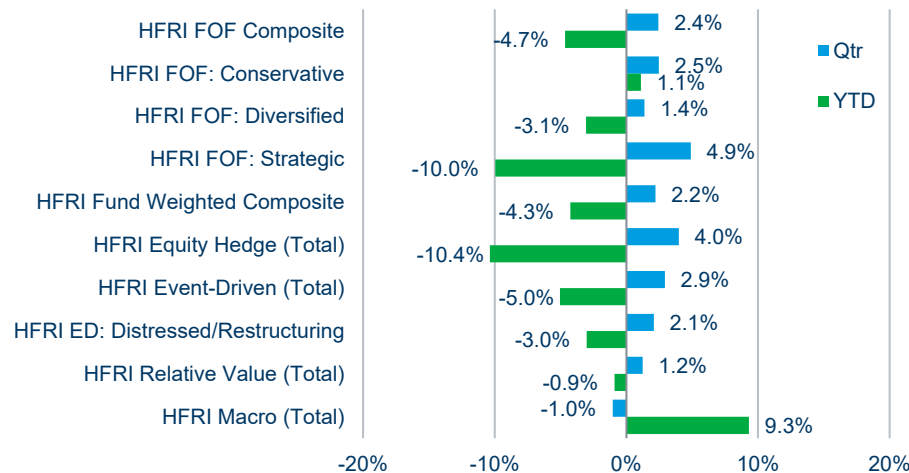
- Global REITs gained roughly 7% during Q4, lagging broader equity markets. Infrastructure stocks gained 9% during the quarter, in line with broader equity markets.
- Commodities posted modest gains during the quarter as economic activity slowed, but returns remained positive for 2022. Natural Resource stocks and MLPs delivered strong gains for the quarter and the calendar year.
- The HFRI FOF Composite Index gained 2.4% in Q4, leaving it with a 4.7% decline for 2022<sup>1</sup>. Macro strategies outperformed in 2022, while equity hedge strategies lagged.
- Global private equity outperformed global developed stocks over the most recent trailing periods<sup>2</sup>.

Real Asset Performance



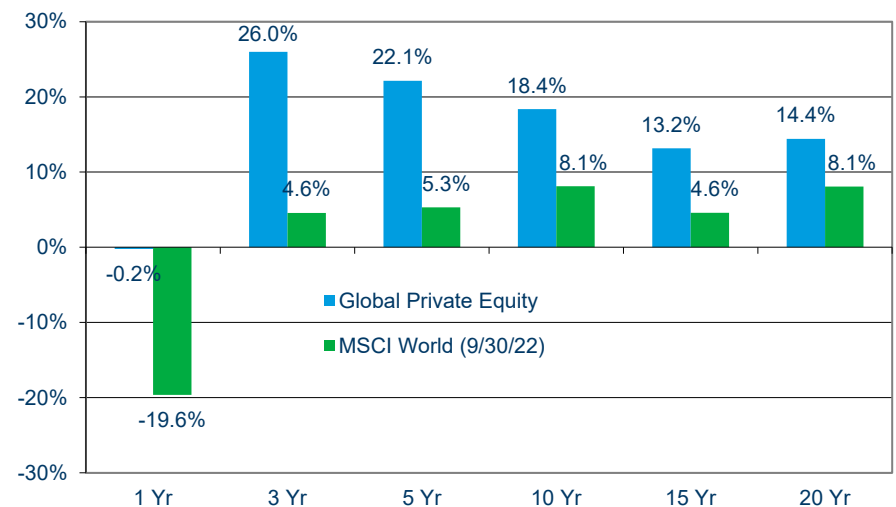
Source: Bloomberg, Datastream; as of 12/31/22

Hedge Fund Performance



Source: Hedge Fund Research; as of 12/31/22

Global Private Equity vs. Global Public Equities



Source: Burgiss, Bloomberg; as of 9/30/22

<sup>1</sup> Source: Hedge Fund Research; as of 12/31/22

<sup>2</sup> Source: Burgiss, Bloomberg; as of 9/30/22

Past performance is no guarantee of future results

# Valuations and yields

Ending December 31, 2022

## Valuations

<b>MSCI USA</b>	<b>12/31/2022</b>	<b>9/30/2022</b>	<b>6/30/2022</b>	<b>3/31/2022</b>
Index Level	16879.3	15757.5	16534.2	19866.9
P/E Ratio (Trailing)	19.4	18.3	18.9	23.1
CAPE Ratio	25.5	24.7	26.6	33.0
Dividend Yield	1.7	1.8	1.7	1.4
P/B	3.9	3.6	3.8	4.7
P/CF	13.0	12.6	14.1	18.5
<b>MSCI EAFE</b>	<b>12/31/2022</b>	<b>9/30/2022</b>	<b>6/30/2022</b>	<b>3/31/2022</b>
Index Level	6583.4	5610.4	6189.6	7240.4
P/E Ratio (Trailing)	13.7	13.0	13.9	15.5
CAPE Ratio	14.7	14.0	15.6	17.0
Dividend Yield	3.3	3.6	3.4	2.9
P/B	1.6	1.5	1.6	1.8
P/CF	7.3	5.5	6.4	7.9
<b>MSCI EM</b>	<b>12/31/2022</b>	<b>9/30/2022</b>	<b>6/30/2022</b>	<b>3/31/2022</b>
Index Level	486.1	443.1	501.1	565.8
P/E Ratio (Trailing)	12.2	11.5	12.5	14.0
CAPE Ratio	11.0	10.1	11.6	13.7
Dividend Yield	3.4	3.6	3.1	2.5
P/B	1.6	1.5	1.7	1.8
P/CF	8.2	6.7	7.6	8.5

Source: Bloomberg, Thomson Reuters Datastream  
Past performance is no guarantee of future results

## Yields

<b>Global Bonds</b>	<b>12/31/2022</b>	<b>9/30/2022</b>	<b>6/30/2022</b>	<b>3/31/2022</b>
Germany – 10Y	2.57	2.11	1.34	0.55
France – 10Y	3.12	2.72	1.92	0.98
UK – 10Y	3.67	4.09	2.23	1.61
Switzerland – 10Y	1.62	1.23	1.07	0.60
Italy – 10Y	4.72	4.52	3.26	2.04
Spain – 10Y	3.66	3.29	2.42	1.44
Japan – 10Y	0.42	0.24	0.23	0.22
Euro Corporate	4.32	4.24	3.24	1.55
Euro High Yield	8.32	9.01	8.08	5.18
EMD (\$)	8.55	9.57	8.56	6.42
EMD (LCL)	6.86	7.31	7.06	6.23
<b>US Bonds</b>	<b>12/31/2022</b>	<b>9/30/2022</b>	<b>6/30/2022</b>	<b>3/31/2022</b>
3-Month T-Bill	4.42	3.33	1.72	0.52
10Y Treasury	3.88	3.83	2.98	2.32
30Y Treasury	3.97	3.79	3.14	2.44
10Y TIPS	1.58	1.68	0.65	-0.52
30Y TIPS	1.67	1.74	0.91	-0.03
US Aggregate	4.68	4.75	3.72	2.92
US Treasury	4.18	4.13	3.09	2.42
US Corporate	5.42	5.69	4.70	3.60
US Corporate High Yield	8.96	9.68	8.89	6.01

Source: Bloomberg, Thomson Reuters Datastream

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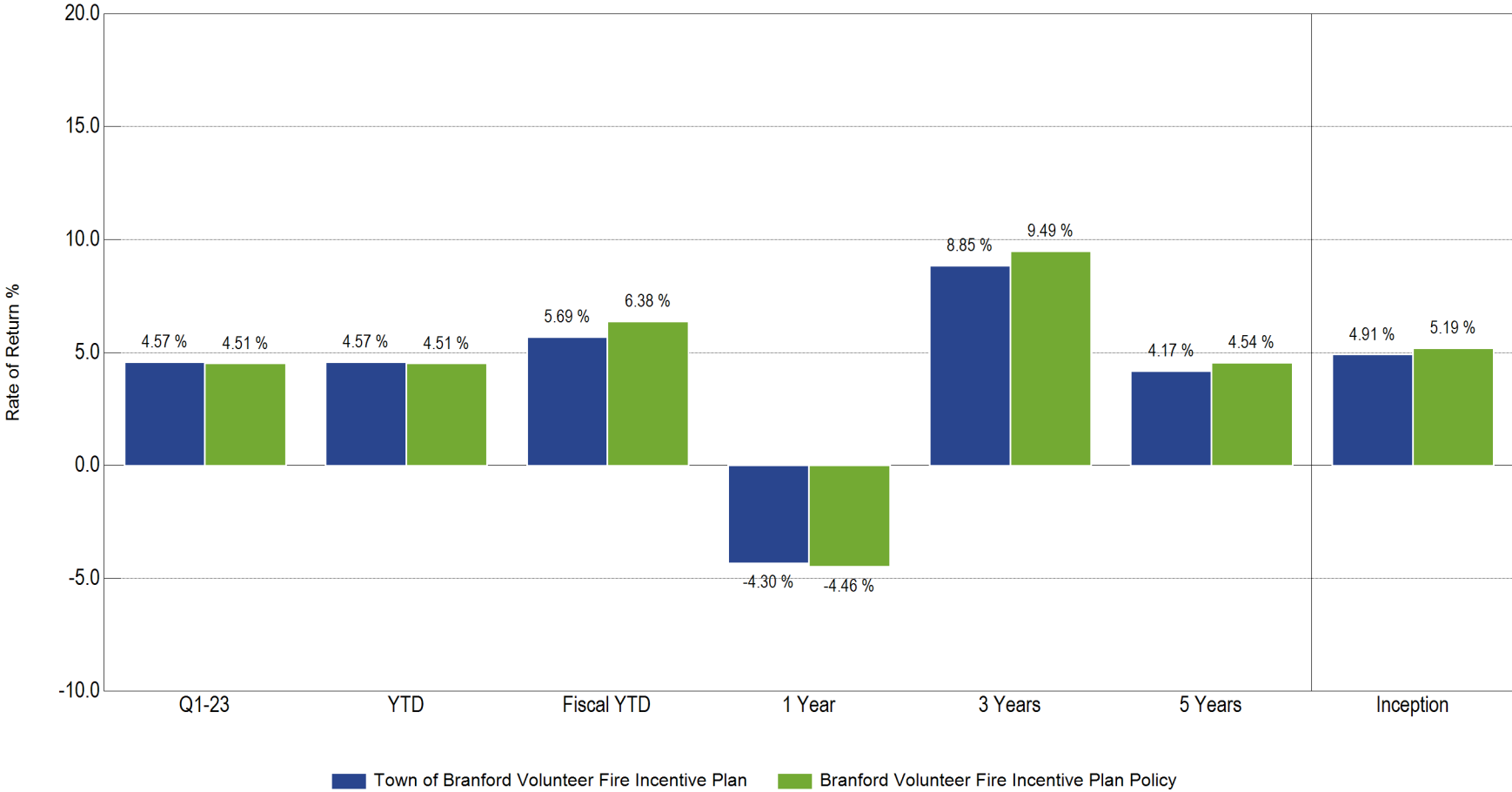
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CAR20230119MESRLV4Q22



**Return Summary**



For the purposes of investment comparison, the Branford Volunteer Fire Incentive Plan Policy (the "Policy") is utilized. This Policy is a blend of comparative index sub-components based upon the current target asset allocation of the plan and has been adjusted periodically in adherence with the plan's investment policy statement. Details on the composition of the Policy can be found on page 26.

Returns are gross of fees unless otherwise noted. Client returns will be reduced by advisory and other expenses the client may incur. Net performance is shown on page 15.

## Town of Branford Volunteer Fire Incentive Plan

### Investment Performance Analysis

Composite Performance (Gross)

As of March 31, 2023

Ending March 31, 2023

	Market Value (\$)	% of Portfolio	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Inception (%)	Inception Date
<b>Town of Branford Volunteer Fire Incentive Plan</b>	<b>1,493,957</b>	<b>100.00</b>	<b>4.57</b>	<b>4.57</b>	<b>5.69</b>	<b>-4.30</b>	<b>8.85</b>	<b>4.17</b>	<b>4.91</b>	<b>Dec-15</b>
<i>Branford Volunteer Fire Incentive Plan Policy</i>			4.51	4.51	6.38	-4.46	9.49	4.54	5.19	Dec-15
<b>Equity</b>	<b>823,436</b>	<b>55.12</b>	<b>5.73</b>	<b>5.73</b>	<b>9.56</b>	<b>-5.58</b>	<b>17.75</b>	<b>6.19</b>	<b>7.60</b>	<b>Dec-15</b>
<i>Equity Custom Benchmark</i>			5.72	5.72	10.37	-5.18	18.43	6.52	8.01	Dec-15
<b>Fixed Income</b>	<b>522,313</b>	<b>34.96</b>	<b>3.23</b>	<b>3.23</b>	<b>-0.19</b>	<b>-4.80</b>	<b>-2.82</b>	<b>0.84</b>	<b>1.00</b>	<b>Dec-15</b>
<i>Bloomberg US Aggregate TR</i>			2.96	2.96	-0.09	-4.78	-2.77	0.90	1.21	Dec-15
<b>High Yield</b>	<b>113,584</b>	<b>7.60</b>	<b>3.66</b>	<b>3.66</b>	<b>7.60</b>	<b>-1.03</b>	<b>6.66</b>	<b>3.53</b>	<b>4.35</b>	<b>Dec-15</b>
<i>High Yield Bond Blended Benchmark</i>			3.72	3.72	7.12	-3.58	5.81	3.13	4.65	Dec-15
<b>Cash Alternatives</b>	<b>34,624</b>	<b>2.32</b>	<b>1.31</b>	<b>1.31</b>	<b>2.60</b>	<b>2.67</b>	<b>0.93</b>	<b>1.36</b>	<b>1.15</b>	<b>Dec-15</b>
<i>FTSE T-Bill 3 Months TR</i>			1.12	1.12	2.46	2.61	0.95	1.40	1.15	Dec-15

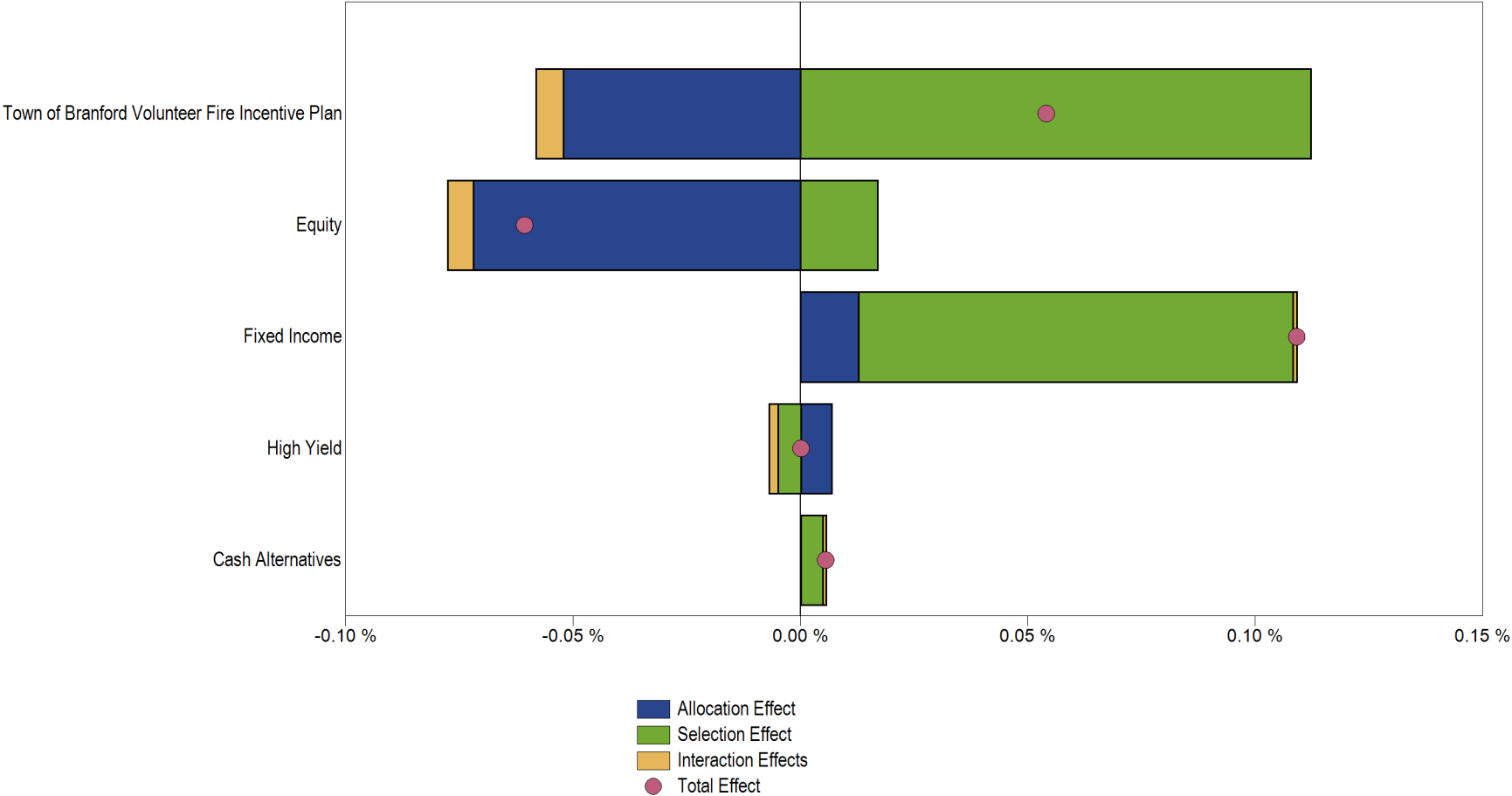
### Composite Performance (Net)

Ending March 31, 2023

	Market Value (\$)	% of Portfolio	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Inception (%)	Inception Date
<b>Town of Branford Volunteer Fire Incentive Plan</b>	<b>1,493,957</b>	<b>100.00</b>	<b>4.47</b>	<b>4.47</b>	<b>5.47</b>	<b>-4.55</b>	<b>8.60</b>	<b>3.89</b>	<b>4.60</b>	<b>Dec-15</b>
<i>Branford Volunteer Fire Incentive Plan Policy</i>			4.51	4.51	6.38	-4.46	9.49	4.54	5.19	Dec-15

Returns for the Town of Branford Volunteer Fire Incentive Plan(as shown above) are gross of advisory fees. Although our advisory fee is not reflected in the returns reference above, it is important to note that the return streams for registered mutual funds are net of the internal expenses of the Funds. Client returns will be reduced by advisory fees and other expenses the client may incur.

**Attribution Effects**  
**3 Months Ending March 31, 2023**



Returns are gross of advisory fees. Client returns will be reduced by advisory fees and other expenses the client may incur.

## Investment Performance Analysis

As of March 31, 2023

**Performance Attribution**  
**Quarter Ending March 31, 2023**

	Last 3 Mo.	YTD	Fiscal YTD	1 Yr	3 Yrs	5 Yrs
Wtd. Actual Return	4.57%	4.57%	3.98%	-4.08%	8.97%	4.28%
Wtd. Index Return *	4.51%	4.51%	4.12%	-4.46%	9.49%	4.54%
<b>Excess Return</b>	<b>0.05%</b>	<b>0.05%</b>	<b>-0.14%</b>	<b>0.38%</b>	<b>-0.52%</b>	<b>-0.26%</b>
Selection Effect	0.11%	0.11%	-0.10%	0.06%	-0.27%	-0.16%
Allocation Effect	-0.05%	-0.05%	-0.05%	0.35%	-0.28%	-0.12%
Interaction Effect	-0.01%	-0.01%	0.02%	-0.03%	0.04%	0.01%

\*Calculated from benchmark returns and weightings of each component.

**Attribution Summary**  
**3 Months Ending March 31, 2023**

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Equity	5.73%	5.72%	0.02%	0.02%	-0.07%	-0.01%	-0.06%
Fixed Income	3.23%	2.96%	0.27%	0.10%	0.01%	0.00%	0.11%
High Yield	3.66%	3.72%	-0.06%	0.00%	0.01%	0.00%	0.00%
Cash Alternatives	1.31%	1.12%	0.19%	0.00%	0.00%	0.00%	0.01%
<b>Total</b>	<b>4.57%</b>	<b>4.51%</b>	<b>0.05%</b>	<b>0.11%</b>	<b>-0.05%</b>	<b>-0.01%</b>	<b>0.05%</b>

Returns are gross of advisory fees. Client returns will be reduced by advisory fees and other expenses the client may incur.

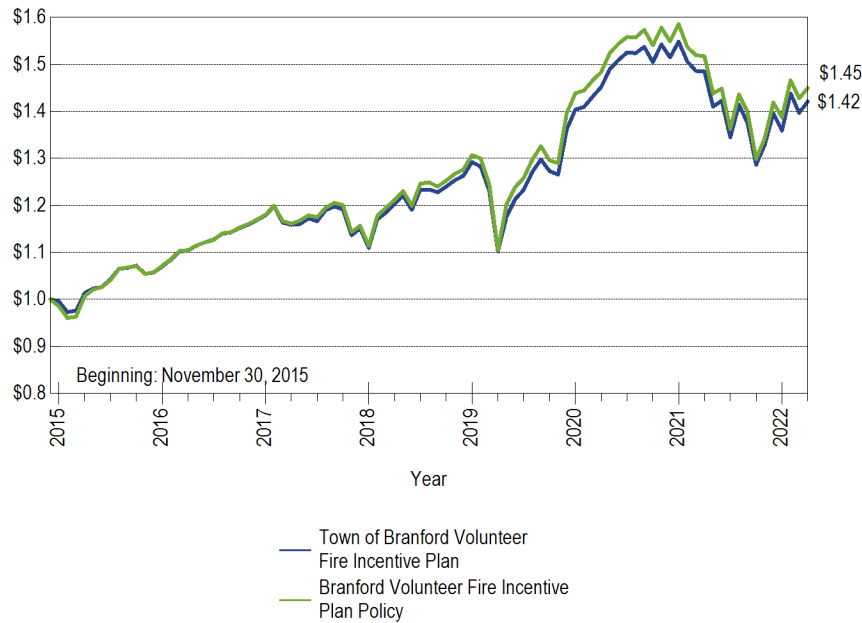
# Town of Branford Volunteer Fire Incentive Plan

## Investment Performance Analysis

Total Plan Information

As of March 31, 2023

**Growth of a Dollar**



### RISK RETURN STATISTICS

Town of Branford Volunteer Fire Incentive Plan

Branford Volunteer Fire Incentive Plan Policy

#### RETURN SUMMARY STATISTICS

Number of Periods	88	88
Maximum Return	7.60	8.79
Minimum Return	-10.48	-11.29
Annualized Return	4.91	5.19
Total Return	42.10	44.96
Annualized Excess Return Over Risk Free	3.75	4.04
Annualized Excess Return	-0.29	0.00

#### RISK SUMMARY STATISTICS

Beta	0.93	1.00
Upside Deviation	5.85	6.52
Downside Deviation	8.04	8.63

#### RISK/RETURN SUMMARY STATISTICS

Annualized Standard Deviation	9.67	10.33
Alpha	0.00	0.00
Sharpe Ratio	0.39	0.39
Excess Return Over Market / Risk	-0.03	0.00
Tracking Error	1.19	0.00
Information Ratio	-0.24	--

#### CORRELATION STATISTICS

R-Squared	0.99	1.00
Correlation	1.00	1.00

The Growth of Dollar graph and the returns presented above are gross of advisory fees. The returns presented herein will be reduced by advisory and other expenses the client may incur. The Summary of Cash Flows is net of all expenses

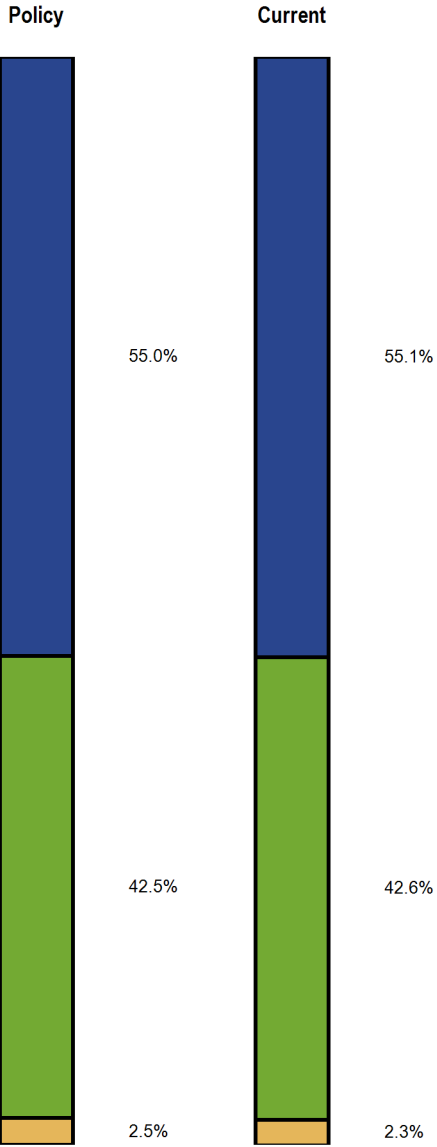
### Summary of Cash Flows

	Last Three Months	Year-To-Date	Fiscal Year-To-Date	One Year	Three Years	Five Years	Inception 12/1/15
Beginning Market Value	\$1,439,555	\$1,439,555	\$1,359,529	\$1,511,020	\$1,043,782	\$1,016,820	\$55,973
Net Cash Flow	-\$11,318	-\$11,318	\$56,279	\$47,216	\$144,089	\$228,829	\$1,060,822
Net Investment Change	\$65,720	\$65,720	\$78,149	-\$64,280	\$306,086	\$248,308	\$377,161
Ending Market Value	\$1,493,957	\$1,493,957	\$1,493,957	\$1,493,957	\$1,493,957	\$1,493,957	\$1,493,957

Investment Performance Analysis

Asset Allocation vs. Target Policy

As of March 31, 2023

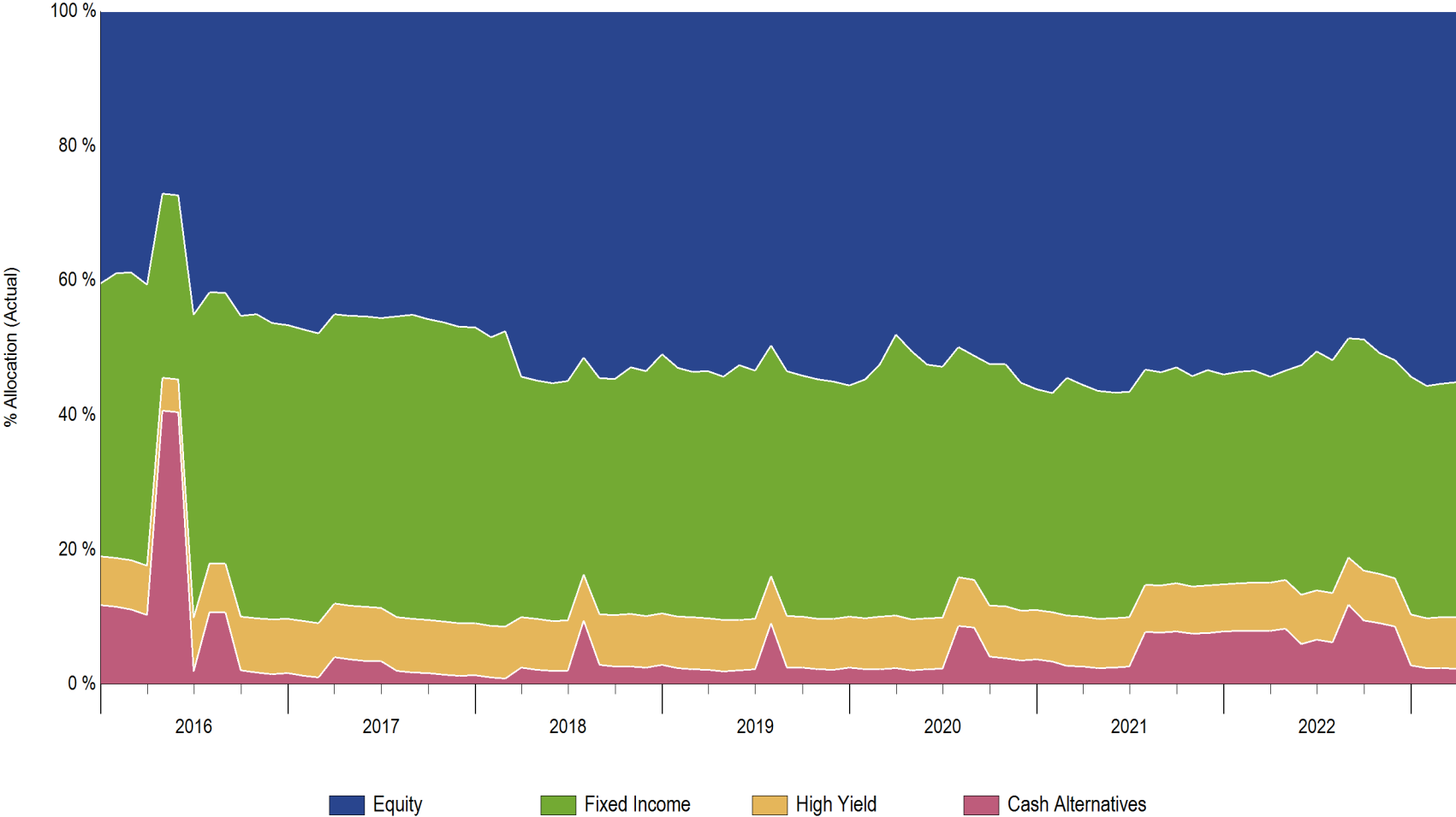


Asset Allocation vs. Target  
As Of March 31, 2023

	Policy Range	Policy	%	Current	%	Difference*	%
US Equity	30.0% - 60.0%	\$821,676	55.0%	\$823,436	55.1%	\$1,760	0.1%
US Fixed Income	40.0% - 65.0%	\$634,932	42.5%	\$635,897	42.6%	\$965	0.1%
Cash	0.0% - 10.0%	\$37,349	2.5%	\$34,624	2.3%	-\$2,725	-0.2%
<b>Total</b>		<b>\$1,493,957</b>	<b>100.0%</b>	<b>\$1,493,957</b>	<b>100.0%</b>		

\*Difference between Policy and Current Allocation

Asset Allocation History  
7 Years 3 Months Ending March 31, 2023



# **Investment Analysis**

*Total Plan*



## Investment Performance Analysis

As of March 31, 2023

**Manager Roster**  
As of March 31, 2023

	Account Type	Benchmark	Universe	Market Value	Allocation	Inception
Alerian MLP	Equity	Alerian MLP Index		\$72,894	4.9%	12/1/2015
Cash Alternatives	Cash	FTSE T-Bill 3 Months TR		\$34,624	2.3%	12/1/2015
Fixed Income	US Fixed Income Investment Grade	Bloomberg US Aggregate TR	Intermediate Core Bond MStar MF	\$522,313	35.0%	12/1/2015
High Yield	US Fixed Income High Yield	High Yield Bond Blended Benchmark	High Yield Bond MStar MF	\$113,584	7.6%	12/1/2015
iShares Dow Jones US Real Estate	Equity	iShares U.S. Real Estate Benchmark	Real Estate MStar MF	\$46,101	3.1%	12/1/2015
iShares MSCI EAFE	Equity	MSCI EAFE	Foreign Large Blend MStar MF	\$200,542	13.4%	12/1/2015
iShares MSCI Emerging Mkts	Equity	MSCI Emerging Markets	Diversified Emerging Mkts MStar MF	\$128,837	8.6%	12/1/2015
iShares Russell 2000	Equity	Russell 2000	Small Blend MStar MF	\$78,139	5.2%	12/1/2015
iShares S&P 500	Equity	S&P 500	Large Blend MStar MF	\$217,872	14.6%	12/1/2015
iShares S&P MidCap 400	Equity	S&P 400 MidCap	Mid-Cap Blend MStar MF	\$79,051	5.3%	12/1/2015
<b>Total</b>		<b>Branford Volunteer Fire Incentive Plan Policy</b>		<b>\$1,493,957</b>	<b>100.0%</b>	<b>12/1/2015</b>

**Town of Branford Volunteer Fire Incentive Plan  
Equity Positions  
As of March 31, 2023**

Holding	Market Value	% of Equity Portfolio
Cash & Cash Equivalents	\$34,624.32	4.04%
ISHARES S&P 500	\$217,872.40	25.39%
ISHARES S&P MIDCAP 400	\$79,050.56	9.21%
ISHARES Russell 2000	\$78,139.20	9.11%
ISHARES MSCI EAFE Index Fund	\$200,542.08	23.37%
ISHARES MSCI Emerging Markets	\$128,836.90	15.01%
ISHARES Dow Jones US Real Estate	\$46,100.70	5.37%
Alerian MLP	\$72,893.90	8.50%
	<b>\$858,060.06</b>	<b>100.00%</b>

**Town of Branford Volunteer Fire Incentive Plan  
Fixed Income Positions  
As of March 31, 2023**

Holding	Market Value	% of Fixed Income Portfolio
ISHARES Core US Aggregate Bond	\$522,312.88	100.00%
	\$522,312.88	100.00%

**Town of Branford Volunteer Fire Incentive Plan  
High Yield Positions  
As of March 31, 2023**

Holding	Market Value	% of High Yield Portfolio
MainStay MacKay High Yield Corp Bd	\$113,583.76	100.00%
	\$113,583.76	100.00%

## Historical Policy

---

12/1/2015 to 3/31/2018	44.90	Barclays Aggregate
	14.10	S&P 500
	8.00	Barclays High Yield Very Liquid
	7.00	Russell 2000
	6.00	MSCI Emerging Market (Net)
	5.00	S&P 400 Mid Cap
	5.00	MSCI EAFE (Net)
	5.00	Alerian MLP Index
	3.00	Dow USA Real Estate
	2.00	Citigroup Treasury Bill-3 Month
	4/1/2018 to 5/31/2019	35.00
14.50		S&P 500
12.50		MSCI EAFE (Net)
8.50		MSCI Emerging Market (Net)
7.50		Barclays High Yield Very Liquid
5.50		Russell 2000
5.50		S&P 400 Mid Cap
5.25		Alerian MLP Index
3.25		Dow USA Real Estate
2.50		Citigroup Treasury Bill-3 Month
6/1/2019 to 1/31/2021		35.00
	14.50	S&P 500
	12.50	MSCI EAFE (Net)
	8.50	MSCI Emerging Market (Net)
	7.50	BofAML US High Yield Constrained
	5.50	Russell 2000
	5.50	S&P 400 Mid Cap
	5.25	Alerian MLP Index
	3.25	Dow USA Real Estate
	2.50	Citigroup Treasury Bill-3 Month
	2/1/2021 to Present	35.00
14.50		S&P 500
12.50		MSCI EAFE (Net)
8.50		MSCI Emerging Market (Net)
7.50		BofAML US High Yield Constrained
5.50		Russell 2000
5.50		S&P 400 Mid Cap
5.25		Alerian MLP Index
3.25		Dow USA Real Estate Capped
2.50		Citigroup Treasury Bill-3 Month

# Definitions

- Accrued** – Usually associated with interest or income, as in accrued interest; interest owed by the issuer but not yet paid.
- Allocation Effect** – In attribution analysis, this examines the gain or loss achieved from over or under weighting a manager versus its targeted allocation.
- Alpha** – Value that is added by the manager, or the non-systematic return; the excess portfolio return compared to the risk-adjusted benchmark. A positive alpha implies the manager has added value to the return over that of the market.
- Alpha-Jensen** – A version of alpha that utilizes risk-adjusted manager returns in its calculation.
- Attribution Analysis** – A tool to separate and examine the different sources of gain or loss from an overall investment policy and targeted asset allocation.
- Batting Average** – Measure of a fund or manager's ability to beat the market consistently. It is calculated by dividing the number of quarters in which the fund or manager outperformed its benchmark by the number of quarters in the analysis.
- Best Quarter** – The largest single quarterly return which occurred during the specified time period.
- Beta** – Measures the systematic risk, or the return that is attributable to market movements. A beta equal to one indicates a risk level equivalent to the market. Higher betas are associated with higher risk levels.
- Consumer Discretionary** – Sector classification of companies that produce goods that are not necessities, like automobiles, high-end clothing, hotels, and restaurants.
- Consumer Staples** – Sector classification of companies that produce necessities like food/beverage and household products.
- Correlation Coefficient** – Statistical measure of the degree to which the movements of two variables are related. A correlation of 1.0 indicates a perfect positive correlation; 0.0 indicates a random relationship; -1.0 indicates perfect negative correlation.
- Credit Risk** – A measure of the default risk on amounts due from policyholder or creditors.
- Current Yield** – A bond's coupon rate divided by the bond's current price.
- Dividend Yield** – The current dividend per share of a stock divided by its current price per share.
- Dollar/Money Weighted Rate of Return** – Measure of portfolio returns that includes the impact from cash flows.
- Down Market** – A quarter in which the market return is negative.
- Downside Deviation** – Standard deviation of negative returns only.
- Duration** – A measure of a bond's price volatility relative to a change in the general level of interest rates, measured in years. In general, bonds with longer durations have greater sensitivity to interest rates and vice-versa.
- Earnings Per Share (EPS)** – The portion of a company's profit allocated to each outstanding share of common stock.
- Earnings Per Share Growth Rate** – The rate at which the earnings per share grows over various time periods.
- Energy** – Sector classification of companies that relate to producing or supplying energy.
- Excess Return over Market/Risk** – Annualized excess return achieved by the manager divided by annualized standard deviation.
- Financials** – Sector classification of companies that provide banking, investment, and real estate services to commercial and retail customers.
- Health Care** – Sector classification of companies that provide health related services or products.
- Information Ratio** – Measures the consistency of out-performance. Excess return divided by Standard deviation of excess return.
- Information Technology** – Sector classification of companies that are involved in the development, installation, and implementation of computer systems and applications.
- Industrials** – Sector classification of companies that manufacture or distribute goods.
- Manager Effect** – In attribution analysis, this examines the difference between a manager's returns versus his or her respective benchmark.

# Definitions

- Materials** – Sector classification of companies that are involved in the discovery, development, and processing of raw materials.
- Maturity** – Date when the principal or stated value of a fixed income security becomes due and payable in full to the bondholder.
- Policy Allocation** – Targeted allocation across various asset classes and/or managers.
- Price to Book Ratio (P/B)** – The current price of a stock divided by its book value per share.
- Price to Earnings Ratio (P/E)** – The current price of a stock divided by its earnings per share.
- Quality Rating** – Bond issuer's credit quality, or its ability to meet future contractual obligations. (Moody's and S&P's)
- R-Squared** – Measure of how closely related are the variance of a manager's returns to the variance of the benchmark's returns.
- Range** – The difference between the Best Quarter and the Worst Quarter returns.
- Return on Equity (ROE)** – Equity (net worth) at the beginning of an accounting period divided into net income for the period.
- Return/Risk Comparison** – Analysis that exhibits the rate of return in relation to the volatility of those returns as measured by the annualized standard deviation of quarterly returns.
- Risk Free** – The equivalent of an investment with little to no risk of market loss, typically defined as short term Treasury bills.
- Sharpe Ratio** – This measures excess return per unit of risk. A higher ratio means the manager is achieving higher return for the risk.
- Sortino Ratio** – Similar to Sharpe Ratio, this measures excess return per unit of downside risk.
- Standard Deviation** – A statistical measure of portfolio risk, it measures the volatility of a fund's returns compared to the average return of the fund. It reflects the average deviation of the observations from their sample mean.
- Telecommunication Service** – Sector classification of companies that provide communication technology related services or products.
- Time-Weighted Rate of Return** – Minimizes the impact of cash flows on rate of return calculations.
- Total Return** – For bonds, the sum of interest and principal payments as well as any reinvestment income received over a holding or measurement period, plus any capital gain or loss if the bond is sold at the end of the period.
- Tracking Error** – How closely a fund or manager's returns track the returns of a benchmark.; the annualized standard deviation of the differences between the fund or manager's return and the benchmark's return.
- Transportation** – Sector classification of companies that provide transportation related services or products.
- Treynor Ratio** – Risk is measured using Beta, which is an index dependent measure; relates the difference between the fund return and the risk-free rate to the fund beta for a given time period.
- Universe** – A broadly defined group of investment managers. For example, a group of equity investment managers.
- Up Market** – A quarter in which the market return is positive.
- Upside Deviation** – the standard deviation of positive returns only.
- Upside/Downside** – A graphical representation of up market and down market returns, measured as percentages versus benchmark.
- Utilities** – Sector classification of companies that own or operate facilities used in the generation, transmission, or distribution of electric energy.
- Worst Four Quarters** – Smallest return experienced over any four consecutive quarters, may not correspond with calendar years.
- Worst Quarter** – The worst single quarterly return which occurred during the specified time period.
- Yield** – The return to a bondholder who holds a bond until it matures.
- Yield to Maturity** – Internal rate of return on a bond bought at the current price and held to maturity. This assumes that coupon income is reinvested at the yield to maturity.

# Disclosures

**DATA SOURCES:** The information found in this document was derived from one or more of the following sources: InvestorForce, Morningstar, custodial account statements, money managers.

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