

Market Volatility



NC 401(k)/NC 457 Plans' Retirement Plan Counselor

All slides are required

What is market volatility?

Market volatility refers to fluctuations in the stock market. **These changes can be scary, but history tells us that:**

- Volatility is a normal part of investing
- The market typically recovers over the long term



2

Market volatility is a normal and inevitable part of the stock market cycle and should be factored into your long-term investment strategy. Understanding and sticking to your strategy through a volatile period may ease your worries and help you reach your retirement goals.

Market downturns happen frequently but don't last forever

The stock market trends positive over time, but there are always volatile periods.

- On average, each year will have periods where the market declines 10% or more
- If your investment horizon is greater than five years, staying invested in stocks during volatility may make a lot of sense

Standard & Poor's 500 Composite Index (1952-2024)			
Size of decline	Average frequency*	Average length†	Last occurrence
-5% or more	About 3 times per year	43 days	August 2024
-10% or more	About once per year	110 days	November 2023
-15% or more	About once every three years	251 days	May 2023
-20% or more	About once every six years	370 days	January 2023

*Assumes 50% recovery of lost value.

†Measures market high to market low.

Source: Morningstar Direct

The S&P 500 Index is a registered trademark of Standard & Poor's Financial Services LLC. It is an unmanaged index considered indicative of the domestic large-cap equity market and is used as a proxy for the stock market in general. It is not possible to invest directly in an index.

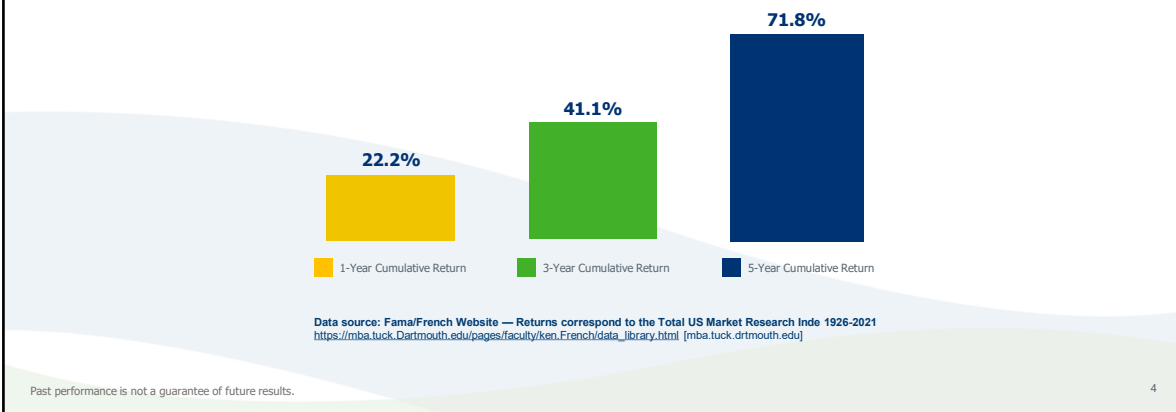
3

The stock market trends positive over time, but there are always volatile periods. Data shows that:

- On average, each year will have periods where the market declines 10% or more
- If your investment horizon is greater than five years, staying invested in stocks during volatility may make a lot of sense

Historically, the market bounces back

Average equity market returns following a 20% decline
July 1926 – December 2021



This chart shows a compelling historical perspective regarding the importance of sticking with your investment plan. Following the start of a decline of 20% or more from the previous market peak, also known as a bear market, equity market returns have averaged significantly positive returns over the following one-year, three-year, and five-year periods.

A case for sticking with your plan

People who leave their money invested may experience better returns than those who don't.

Missing the market's best days can affect your return on investment

(2003 – 2024)



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Refers to the S&P 500 TR USD. Source: Morningstar Direct S&P 500 returns January 1, 2003, through December 31, 2024. Returns expressed as total returns. "Best days" were determined by ranking the one-day total returns for the S&P Index within this time period and ranking them from highest to lowest. This chart is intended for illustrative purposes only; it is not investment advice. Past performance is not a guarantee of future results. Calculations relating to lost investment return created by Empower Advisory Group LLC, a registered investment adviser and wholly owned subsidiary of Empower Annuity Insurance Company of America. An index is not actively managed, does not have a defined investment objective, and does not incur fees or expenses. Performance of an index fund will generally be less than its benchmark index. You cannot invest directly in an index.

5

Because the market typically recovers when given enough time, people who leave their money invested may experience better returns than people who don't.

In fact, between 2003 and 2024, investors who kept their money in the market got a 5.7% higher return on their investment than those who missed the market's 10 best days.

Take a deep breath

When the market is in flux, remember to:



**Avoid making impulsive
or emotional decisions**



**Focus on your long-term
investment goals**



**Stick to your
investment plan**

6

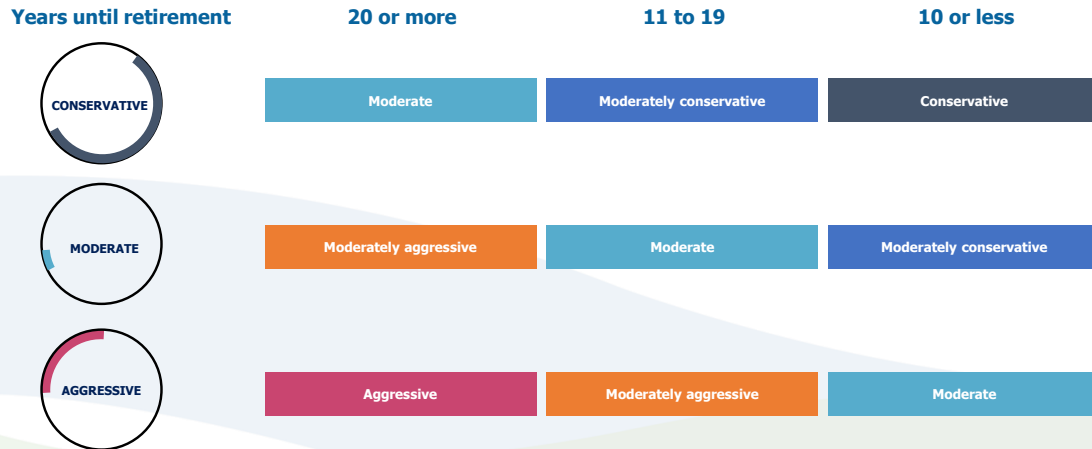
It's natural to worry about volatility, but remember, your actions have a much greater impact on your investment goals than market performance.

When times are tough, remember to:

- Avoid making impulsive or emotional decisions
- Focus on your long-term investment goals
- Stick to your investment plan

Risk tolerance in relation to how long until retirement

Here's how your risk tolerance may adapt as you get closer to retirement.



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[If applicable, use with risk tolerance slide]

Here's how your risk tolerance could influence your investing at different points on your way to retirement. Find your tolerance on the left and then look across to see how you may want to invest based on how far you are from retirement.

Becoming a smarter investor starts by understanding the language

Understanding the terminology and principles of investing, as well as how they work together, may help set you up for success.

- Asset classes
- Asset allocation
- Diversification
- Rebalancing



Asset allocation, diversification, and/or rebalancing do not ensure a profit or protect against loss.

8

INVESTING TERMS

Becoming a smarter investor starts by understanding the language. Understanding the terminology and principles of investing, and how they work together, may help set you up for success. Whether you want to manage your own investments, or simply want a better understanding of the terminology and principles of investing and how they work together, here are some terms that are good to know.

An asset class is a grouping of similar types of investments such as stocks, which are a share of ownership in a company; bonds, which pay you a specified rate of interest on money that is loaned to an entity of some kind; cash alternative options like money market funds, money market deposits; and stable value products.

Asset allocation is simply choosing how much to invest in each asset class when you create your portfolio.

Diversification is mixing your investments among the different asset classes or within an asset class.

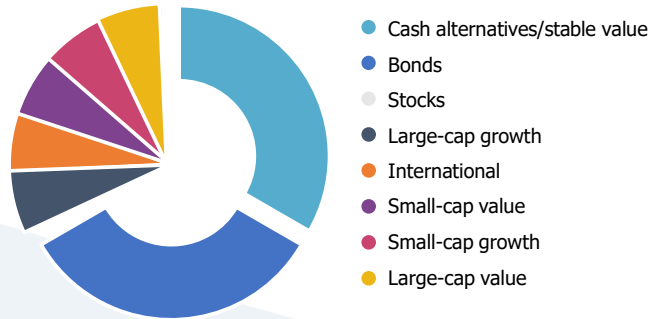
Rebalancing is simply adjusting your asset allocation to align with your evolving

investment strategy. Like being more aggressive or conservative.

Why diversification matters

Diversifying your investments may help you offset market volatility and manage the overall risk of your portfolio.

Sample of diversified investments



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Diversification does not ensure a profit or protect against loss.

9

Why diversify? All your investments will react differently in any given economic situation. For example: In one economy, one investment may do well, and another may not do so well.

Then, when the economic situation changes, maybe the investment that was doing poorly starts doing well and vice versa. It is virtually impossible to guess which investment will do better than another in the future. So, rather than guess how to invest or to try and “time the market,” you can diversify by owning investments in more than one asset class or owning different types of investments within the same asset class, such as large company stock, small company stock, or international company stock.

While diversification does not assure a profit or protect against loss of principal, it may help reduce overall volatility in the markets and can help manage the overall risk in your portfolio.

Periodic table of investment returns

Annual returns for key indices and asset allocation portfolio ranked in order of performance by year through December 31, 2024

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1	Real estate	Emerging market equity	U.S. fixed income	Emerging market equity	Small cap equity	U.S. fixed income	Real estate	Small cap equity	Real estate	Large cap equity	Small cap equity	Emerging market equity	Cash alternatives	Large cap equity	Small cap equity	Large cap equity	Cash alternatives	Large cap equity	Large cap equity
2	Emerging market equity	Dev ex U.S. equity	Cash alternatives	High yield	Real estate	High yield	Emerging market equity	Large cap equity	Large cap equity	Large cap equity	Large cap equity	High yield	Dev ex U.S. equity	Dev ex U.S. equity	Small cap equity	Large cap equity	High yield	Small cap equity	Small cap equity
3	Dev ex U.S. equity	Cash alternatives	Cash alternatives	Real estate	Emerging market equity	Cash alternatives	Dev ex U.S. equity	Dev ex U.S. equity	Dev ex U.S. equity	U.S. fixed income	Large cap equity	Large cap equity	High yield	Dev ex U.S. equity	Emerging market equity	Small cap equity	Small cap equity	Small cap equity	Small cap equity
4	Small cap equity	U.S. fixed income	U.S. fixed income	Dev ex U.S. equity	High yield	Large cap equity	Small cap equity	U.S. fixed income	U.S. fixed income	Cash alternatives	Emerging market equity	Small cap equity	Cash alternatives	Real estate	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	High yield
5	Large cap equity	U.S. fixed income	High yield	Small cap equity	Large cap equity	U.S. fixed income	Large cap equity	High yield	High yield	Real estate	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income
6	U.S. fixed income	High yield	Small cap equity	Large cap equity	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income
7	High yield	Cash alternatives	Large cap equity	U.S. fixed income	Small cap equity	U.S. fixed income	U.S. fixed income	Cash alternatives	Cash alternatives	Small cap equity	Dev ex U.S. equity	Real estate	Real estate	High yield	U.S. fixed income	Cash alternatives	Cash alternatives	Real estate	Dev ex U.S. equity
8	Cash alternatives	U.S. fixed income	High yield	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income
9	U.S. fixed income	Small cap equity	Real estate	U.S. fixed income	Cash alternatives	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income
10	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income	U.S. fixed income

Past performance is not a guarantee of future results.

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10

REVIEW AND REBALANCE

Over time, if one asset class outperforms another, your portfolio can shift from your original strategy. Additionally, your strategy may change as you get closer to retirement. Rebalancing is the process of adjusting your portfolio to make sure that it still aligns with your objectives and risk tolerance.

It's a good idea to take a look at your financial goals, your risk tolerance, and your investments at least every year to make sure they're aligned. If your risk tolerance assessment comes out conservative and you're 5 years from retiring, you probably don't want all your investments to be high-risk investments. If anything isn't lining up, you can rebalance your portfolio if you need to.

Periodic table of investment returns

The periodic table of investment returns depicts annual returns for 10 asset classes and an asset allocation portfolio from best to worst performance for each calendar year. The asset classes are color coded to enable easy tracking over time. We describe the well-known industry standard market indices that we use as proxies for each asset class below.

- **Large-Cap Equity (S&P 500®)** is an unmanaged index considered indicative of the domestic large-cap equity market and used as a proxy for the stock market in general. The S&P 500 is a market-value-weighted index of 500 stocks. The weightings make each company's influence on the index performance directly proportional to that company's market value.
- **Small-Cap Equity (Russell 2000)** measures the performance of small-capitalization U.S. stocks. The Russell 2000 is a market-value weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index.
- **Developed ex-U.S. Equity (MSCI World ex USA)** is an international index that is designed to measure the performance of large- and mid-cap equities in developed markets in Europe, the Middle East, the Pacific region, and Canada.
- **Real Estate (FTSE EPRA/NAREIT Developed Index)** is designed to measure the stock performance of companies engaged in specific real estate activities in the North American, European, and Asian real estate markets.
- **Moderate Composite** is allocated among the following asset classes over time: the Wilshire 5000 Index (U.S. equities); the MSCI EAFE® Index (international equities); the Dow Jones U.S. Select REIT Index™ (real estate); the Bloomberg U.S. Aggregate Bond Index (bonds); and the Bloomberg 1-3 Year Credit Bond Index (short-term bonds).
- **Emerging Market Equity (MSCI Emerging Markets)** is an international index that is designed to measure the performance of equity markets in 26 emerging countries around the world.
- **High Yield (Bloomberg High Yield Bond Index)** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Rich, and S&P is Ba1/BB+/- BB+ or below, excluding emerging market debt. For further information about a rating agency's methodology, please visit ftchratings.com, moody.com, or standardandpoors.com/aboutcreditratings.
- **U.S. Fixed Income (Bloomberg US Aggregate Bond Index)** includes U.S. government, corporate, and mortgage-backed securities with maturities of at least one year.
- **Global ex-U.S. Fixed Income (Bloomberg Global Aggregate ex U.S. Bond Index)** is a broad base, market capitalization-weighted bond market index representing intermediate-term investment-grade bonds traded in the United States. Investors frequently use the index as a stand-in for measuring the performance of the U.S. bond market.
- **Cash Alternatives (90-day T-bill)** is a short-term debt obligation backed by the Treasury Department of the U.S. government.

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About risk: Stocks may decline in value. Securities of small and mid-size companies may be more volatile than those of larger, more established companies. Bond prices generally fall when interest rates rise (and vice versa) and are subject to risks, including changes in credit quality, market valuations, inflation, liquidity, and default. High-yield bonds have a greater risk of default. Foreign securities involve risks, such as currency fluctuations, economic changes, and political developments. These risks may be heightened in emerging markets, which may also experience liquidity risk. Real estate securities and trusts involve risks, including declining property values, changes in zoning laws, or losses from casualty. Real estate securities that invest in foreign real estate involve additional risks, including currency fluctuations and political developments.

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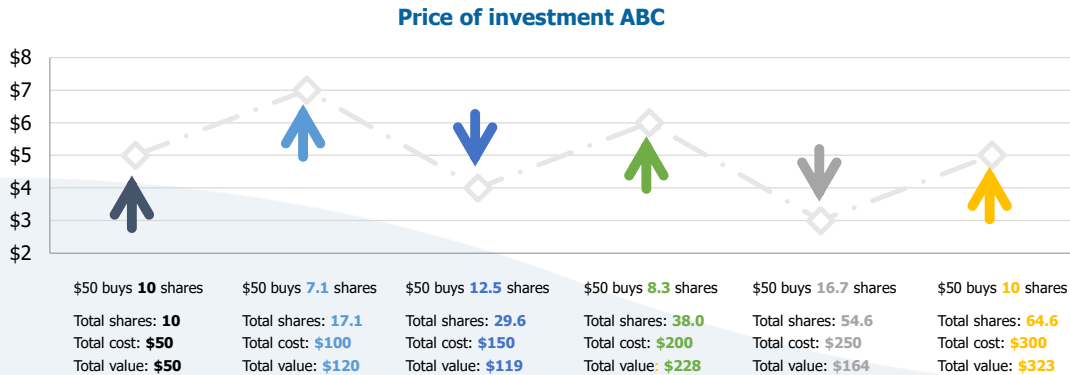
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11

Legend and definitions

Dollar-cost averaging

Automatic in a retirement plan



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Dollar-cost averaging does not ensure a profit or protect against loss. This investment strategy involves continuous investment in securities regardless of fluctuating price levels. An investor should consider their financial ability to continue purchasing shares in periods of low or fluctuating price levels. This is not intended as financial planning or investment advice.

12

DOLLAR-COST AVERAGING

Dollar-cost averaging is another tool that may help you withstand market volatility. Dollar-cost averaging simply involves investing a fixed dollar amount at regular intervals instead of trying to “time the market” with a lump-sum investment. Your regular contributions to your plan provide an example of a dollar-cost averaging approach that may help you:

- Avoid market timing risk
- Avoid impulse decisions
- And buy more shares when prices are low and buy less shares when prices rise

Your dedicated NC 401(k)/NC 457 Plans' Retirement Plan Counselor

A valuable resource...

- Virtual one-on-ones
- Group meetings
- Available by phone

<<Firstname Lastname>>

**NC 401(k)/NC 457 Plans' Retirement
Plan Counselor**

<<Telephone Number>>

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<<Link>>

13

Finally, your dedicated NC 401(k)/NC 457 Plans' Retirement Plan Counselor can provide you with personalized support to help you make sense of it all. Best of all, you can set up a virtual meeting with your counselor.

So as you can see, when it comes to the Supplemental Retirement Plans, we put the help you need at your fingertips!

Disclosures

Carefully consider the investment option's objectives, risks, fees and expenses. Contact Empower 866-NCPlans (866-627-5267) for a prospectus, summary prospectus for SEC-registered products or disclosure document for unregistered products, if available, containing this information. Read each carefully before investing.

It is possible to lose money when investing in securities.

Past performance of investments or asset classes does not guarantee future results.

Asset allocation and diversification do not ensure a profit or protect against loss.

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