THOUGHTS OF THE WEEK

Larry Adam, Chief Investment Officer

Follow Larry Adam on Twitter: @LarryAdamRJ Follow Larry Adam on LinkedIn: Larry Adam

WEEKLY HEADINGS

Keep Calm and Carry On! The recent burst of volatility after a prolonged period of calm has captured the market's attention and temporarily halted the S&P 500's recent winning streak. While market gyrations can be concerning, remember not to panic—pullbacks and interim spikes in volatility are quite common. Below we put the recent market movements in perspective, which have been driven by time (it has been a while since we had a 5%+ pullback), overly optimistic, complacent market sentiment, and higher Treasury yields amid persistent inflationary pressures and signs of a more patient Fed. However, we reiterate our positive long-term view and suggest using periods of weakness opportunistically.

Key Takeaways

Over Optimism Flagged Near-Term Pullback

Volatility Is A Normal Feature Of Long-Term Investing

Pockets Of Weakness Are Not Overly Concerning

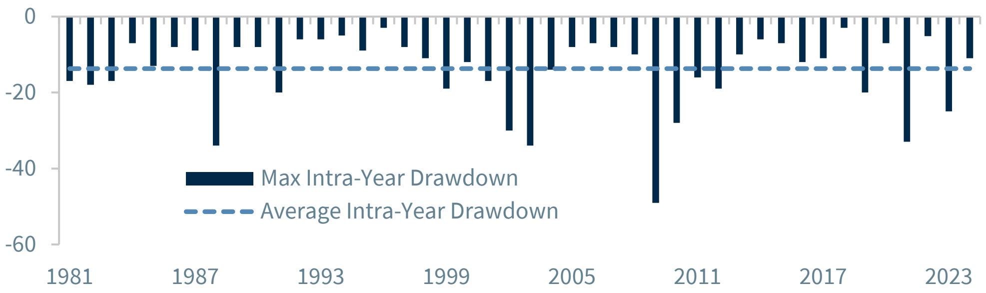
- **A Near-Term Pullback Was Expected |** Our year-end target for the S&P 500 is 5,200. The problem: we exceeded that target in March—approximately nine months ahead of schedule. Why? Because equity market momentum and sentiment tend to cause the equity market to move to exaggerated values to both the upside and downside. It is not unusual and part of the fabric of the market. Let's break our target down: first, it is based on 2024 S&P 500 earnings of $240, which we recently revised higher on the back of the resilient economy—a good thing. Second, we employ a P/E multiple of 21.5x our earnings forecast. That valuation is already expensive, representing a market priced in the top decile over the last twenty years, signifying the market is priced for perfection and susceptible to disappointments. Third, we base our numbers on fundamentals and strip out emotions/sentiment. However, the market had gotten uber optimistic from a positioning and sentiment perspective. For example, retail investors were the second most optimistic on the equity market over the last 30 years. Lofty levels of investor confidence have historically coincided with periods of more muted performance and increased volatility. What have been the catalysts to shake some of this confidence and initiate the recent pullback? Climbing interest rates (10-year Treasury yields are up ~75 bps YTD), troubling inflation, reduced expectations for Fed rate cuts (fewer than two cuts are now expected in 2024) and rising geopolitical tensions.
- **Volatility Is Expected In The Equity Market |** The S&P 500 had rallied more than 27% since October 27. This uninterrupted rally is uncommon as it is important to appreciate that the equity market does not go up in a straight line. Sure, bouts of market volatility can be unnerving, but they are a normal feature of long-term investing. In fact, pullbacks of the 5% variety occur multiple times a year. Dating back to 1980, the S&P 500 has experienced three to four 5%+ pullbacks on average each year. There have only been two years over that time span (44 years in total) during which the market bucked the trend and did not experience a 5% pullback during the year. Furthermore, the S&P 500 typically experiences a max drawdown (from peak to trough) during the year of ~13-14% on average each year. If the current 4.6% drawdown were to be the maximum drawdown this year, it would mark the third smallest annual drawdown over the last 44 years. The point is: this will likely not be the last or most significant pullback this year.
- **Pockets Of Weakness Are Not Overly Concerning |** Thus far, the pullback has been orderly and the spillover effects into other asset classes and the broader market have been limited. For example, we are not seeing a huge flight-to-safety into Treasurys, which typically occurs when the market is concerned about sharp shifts in risk appetite. Credit spreads have remained historically tight—not signaling any major concerns that something more ominous may be on the horizon. Within the stock market, the defensive sectors (i.e., Staples, Utilities, Health Care) are still underperforming the S&P 500 since its recent peak in late March. If the market was worried about a major risk-off event, these sectors would typically assume leadership, which they have not. However, areas of weakness have been justifiable: homebuilders and REITS have suffered due to their interest-rate sensitivity; semi-conductors have retreated after an incredible 55% rally over the last four months; and Consumer Discretionary stocks have struggled with the automotive industry (price pressures with EV vehicles) and specialty retailers (some signs of consumer fatigue).

Bottom Line | The biggest question on investors' minds is whether the current drawdown is normal or the start of something more severe (i.e., a bear market)? Our answer: given we have been calling for a pullback, this is likely a consolidation phase to digest the recent gains and not the end of this bull market. But how much further downside can be expected? Well, given the historical average drawdown has been ~14% a year, further downside cannot be ruled out. One area of support—although this is unlikely as uber optimism has already begun to wane—would be the 200-day moving average (~4,670), which reflects 10% downside from recent highs or an additional 5% from current levels. However, even if this were to occur, it would not change our long-term positive equity view as corporate fundamentals remain on solid footing and earnings are trending upwards. While interest rates have moved higher, it is for the right reason—stronger economic growth. Stronger economic growth leads to upside for corporate earnings—the indicator with the strongest predictive power for future equity returns. As a result, we reiterate our year-end S&P 500 target of 5,200 and would use periods of weakness to add to our favorite areas of the market—Info Tech, Industrials, Health Care, and Energy.

CHART OF THE WEEK

Drawdowns Not Uncommon for Equity Market

The S&P 500 has experienced 3-4 5%+ pullbacks each year and a max intra-year drawdown of 13% from peak-to-trough.



RAYMOND JAMES

ECONOMY

- Retail and Food Services Sales exceeded expectations in March, up 0.7% MoM, while February's print was revised up from 0.6% to 0.9% MoM, pushing the Atlanta Fed GDPNow estimates from 2.4% to 2.8% for the first quarter of the year.
- Industrial production increased as expected in March, up 0.4% MoM, while February was revised up from an original print of 0.1% to 0.4% MoM. This confirms, with actual quantitative data, the improvement in the qualitative ISM Manufacturing Index two weeks ago.
- The Leading Economic Index fell into negative territory again in March (-0.3% vs. consensus of -0.1%), marking 25 negative readings out of the last 26 months. The Conference Board reiterated that it no longer expects a recession but a considerable slow down.
- **Focus of the Week:** The first estimate of 1Q24 GDP will be released next Thursday, and strong consumer demand and investments are expected to have boosted economic activity in the quarter. We expect QoQ annualized growth of 1.9%. In addition, the Fed's favored inflation gauge, the PCE price index, will be released on Friday, and we expect it to remain unchanged at 2.5% YoY.

April 22 – April 26

MON

TUE New Home Sales

WED Durable Orders

THU GDP (1Q24 1st est.)
Wholesale Inventories
Pending Home Sales

FRI PCE
Michigan Sentiment

FUTURE EVENTS
4/30 FHFA, Case-Shiller Home Price Indices
5/1 JOLTS, FOMC Meeting
5/3 Employment Report

EQUITY

- Fears of reaccelerating inflation and the response from yields has caused the S&P 500 to trade lower by ~4.6% off recent highs and breach the 50D moving average (MA) to the downside. So where do we go from here? Historically, when the S&P 500 breaches the 50DMA, the market continues lower to the 100DMA (currently ~4,931) over the next 50 trading days 77% of the time since 1990. Fortunately, the market only reached the 200DMA (~4,672) 42% of the time. In both scenarios (breaching the 100D or 200D), volatility tends to be short-lived with the S&P 500 gaining 1.4% over the next month and positive 78% of the time on average.
- Today, the spread between the 50DMA and 200DMA is ~10% compared to the historical average of ~6%. In the ten other instances when the spread has been 10% or greater, pullbacks breaching the 50DMA have never continued down to the 200DMA. We believe a shallow pullback to ~4,900 is the most likely scenario, while a deeper pullback to ~4,600 is statistically unlikely and would likely require a material negative development of geopolitical risks, inflation and the impact to yields, or declining earnings expectations.
- **Focus of the Week:** Earnings season kicks into high gear next week with reports from three mega-cap names (GOOG, META, MSFT). With the recent volatility driven by macroeconomic and monetary factors, earnings results from these companies will be watched with a critical eye. Broadening AI monetization guidance within enterprise software, cloud computing and LLM licensing will be key to regaining momentum.

FIXED INCOME

- A strong retail sales beat and steady chorus of hawkish-leaning Fed speakers drove Treasury yields higher this week, with the 10-year on pace for its worst monthly performance since last September. In fact, with Fed rate cut expectations getting pushed further out, policymakers floating the possibility that the Fed may not ease at all this year, and a shallow easing cycle priced in (less than five cuts expected between now and mid-2026), all sectors of the fixed income market are now in negative territory YTD. With the bond market doing the work for the Fed and valuations reset back to the levels of last November, Treasury yields look compelling.
- The recent spike in volatility drove credit spreads wider from multi-year lows, with investment grade and high yield spreads 2 and 26 bps wider MTD. The recent weakness has been most pronounced in the high yield sector, which has posted losses for seven consecutive days—its longest losing streak since last August. If negative MTD performance holds, this would be the first monthly decline in US high yield since last October and the largest decline since September 2022.
- **Focus of the Week:** Next week brings the last planned increases in nominal Treasury coupon supply with the Treasury set to auction $183B in 2-, 5-, and 7-year maturities. While the market remains in data watch mode, the next big focus for the market will be the upcoming quarterly refunding announcement. The Treasury Department will announce its borrowing requirements for the upcoming quarter on April 29 and provide Treasury issuance details (i.e., the allotment between bills and coupons) on May 1, before the Fed's next policy meeting. Q1 GDP and March PCE numbers will also be critical to watch.

POLITICS

- Tariffs, Trade, and TikTok—Oh My! This week has seen DC take a more assertive stance against China, notably with potential tariff hikes as the Biden administration approaches the end of its Section 301 tariff review. We expect the package to include increased tariffs on 'national security' linked items, such as semiconductors, solar products, electric vehicles (EVs) and their respective components (including critical minerals), and other Chinese autos. We also expect tariff reduction on other consumer-based products to be presented as inflation relief. President Biden similarly proposed to impose tariffs on Chinese steel and aluminum products and to investigate China's shipbuilding industry over anti-competitive practices. A House committee advanced a series of anti-China bills aimed at retailers that sell inexpensive goods into the US using what is known as the "de minimis" exception that are not subject to tariffs. We think there is a high probability that changes to the de minimis exemption are passed into law before the end of the year. Separately, a push for TikTok divestment/ ban has made it into the package of defense supplemental bills, which we expect to pass into law, and see it as probable that by next year, TikTok's operations in the US will cease to exist as we know it.

ENERGY

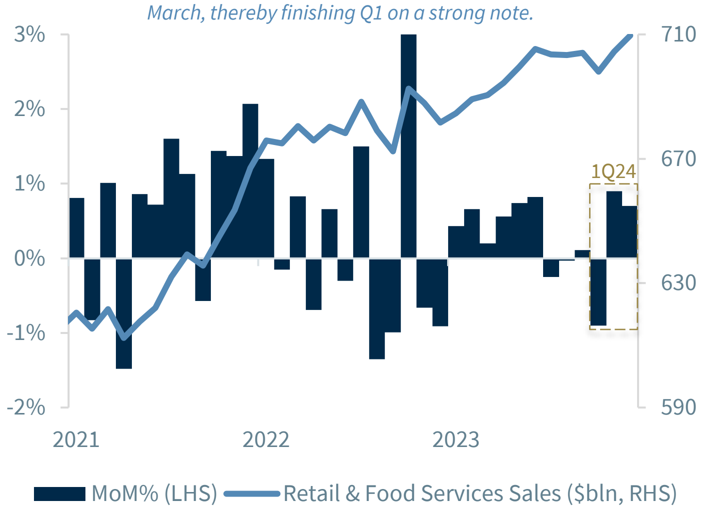
- After reaching six-month highs in the prior week, amid fears of uncontrolled escalation between Israel and Iran, oil prices cooled off this week as those fears generally eased. This is a textbook example of "buy on the rumor, sell on the news." Once it became clear that Iran does not want to move toward an all-out war, the geopolitical risk premium in the oil market cooled off. That said, there is still a premium—it is simply a question of how much is it from day to day—and we should expect it to remain in place until there is a durable ceasefire. Meanwhile, we also continue to watch the extent to which Ukrainian drones are disrupting Russian oil refineries.

*See Charts of the week on page 3.

Charts of the Week

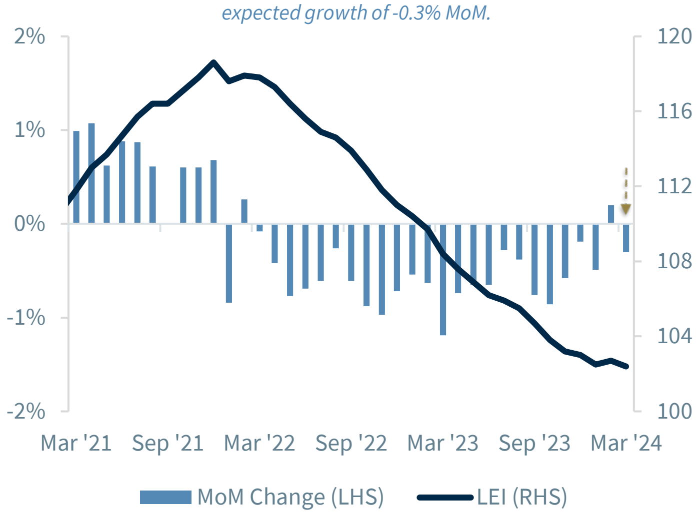
Retail Sales Reflect Strength

Retail sales exceeded expectations and grew 0.7% MoM in March, thereby finishing Q1 on a strong note.



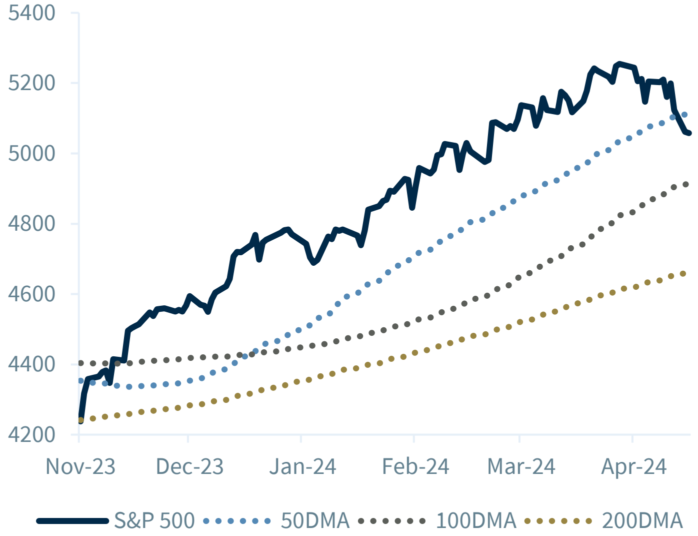
The Leading Economic Index Negative Again

The LEI moved back into negative territory, with weaker than expected growth of -0.3% MoM.



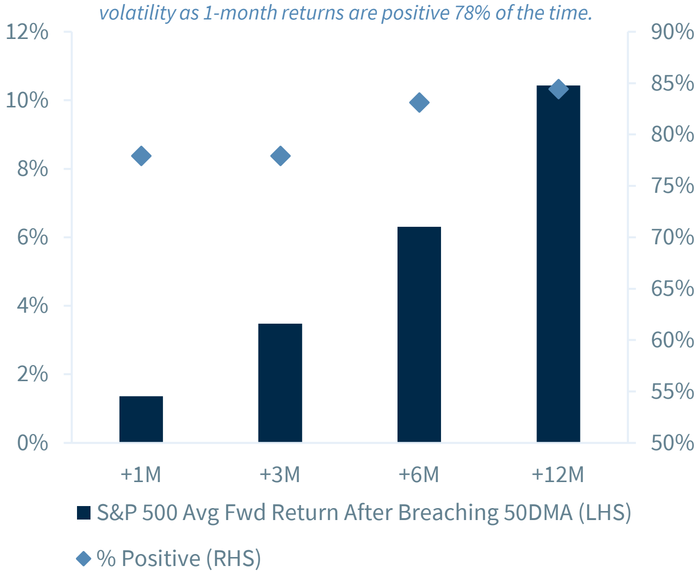
Equities Breach 50D Moving Average

The S&P 500 closed below the 50DMA for the first time since November 2023.



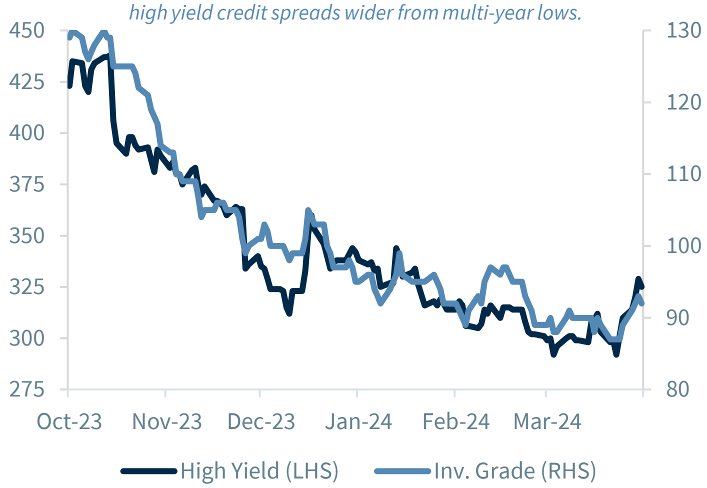
Technical Volatility Tends to be Short-lived

A technical breach alone does not usually lead to protracted volatility as 1-month returns are positive 78% of the time.



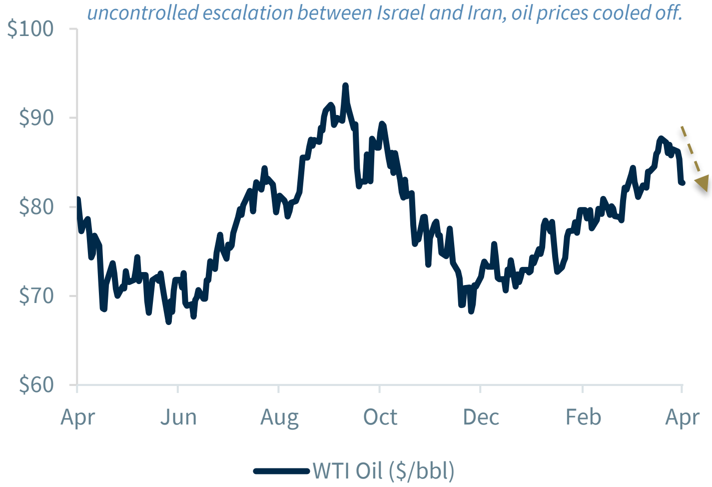
Volatility Widens Credit Spreads

The recent spike in volatility drove investment grade and high yield credit spreads wider from multi-year lows.



Oil Prices Retreat

After reaching six-month highs in the prior week, amid fears of uncontrolled escalation between Israel and Iran, oil prices cooled off.



* Index definitions can be found on the disclosure pages

Asset Class Performance | Distribution by Asset Class and Style (as of April 18)**

Weekly Returns (as of April 18)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	-2.8%	-3.7%	-4.4%
Mid Cap	-3.7%	-4.0%	-4.7%
Small Cap	-4.3%	-4.9%	-5.5%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	-1.4%	-3.0%	-2.9%
Mid Cap	-1.8%	-3.1%	-2.5%
Small Cap	-1.7%	-3.2%	-1.6%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	0.1%	-0.2%	-0.4%
Invest. Grade	0.0%	-0.3%	-0.6%
High Yield	-0.4%	-0.7%	-2.3%

Year-to-Date Returns (as of April 18)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	3.2%	5.0%	6.7%
Mid Cap	1.2%	1.5%	2.2%
Small Cap	-5.4%	-3.8%	-2.0%

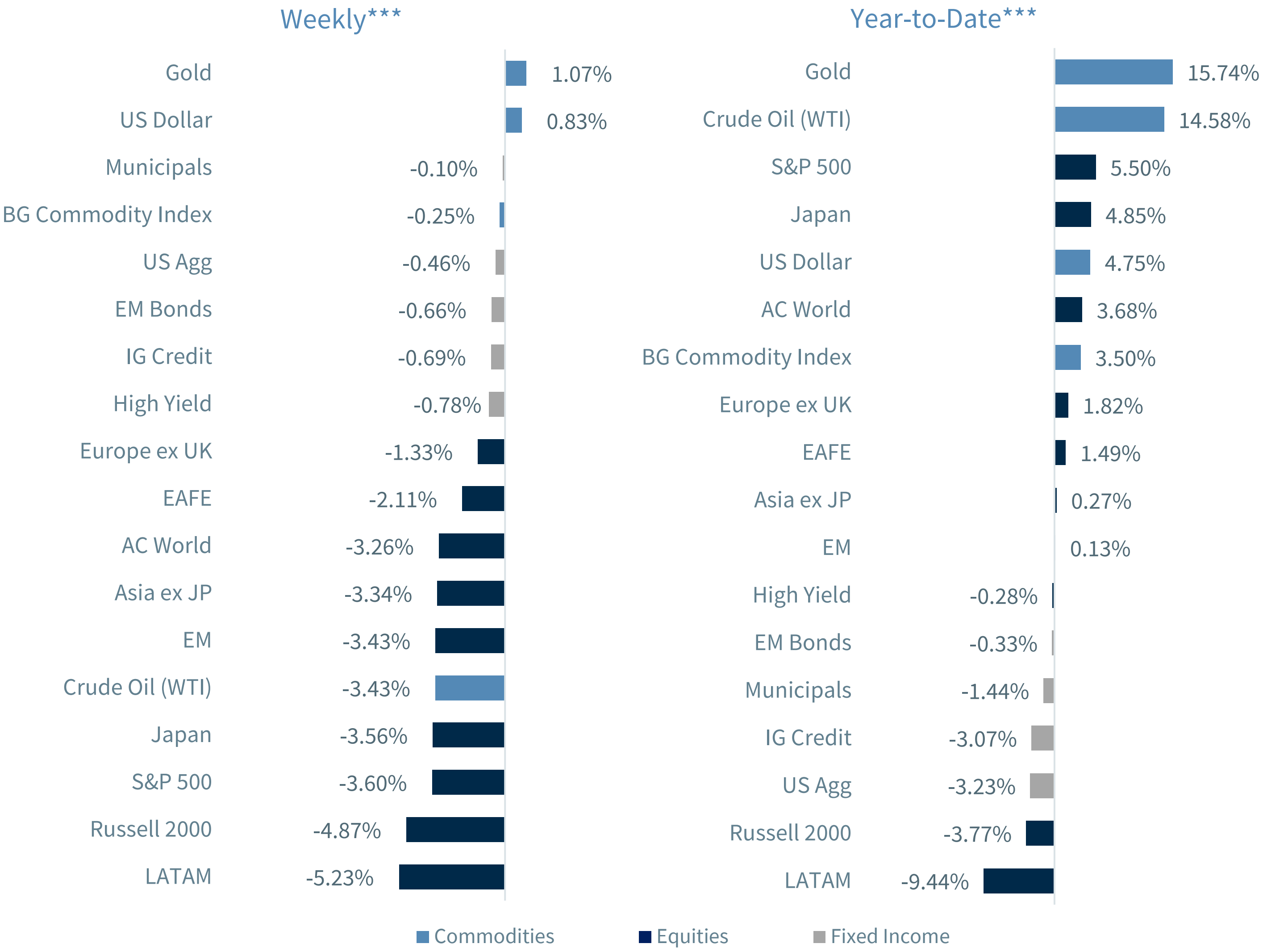
International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	7.7%	6.0%	3.6%
Mid Cap	5.0%	2.8%	1.3%
Small Cap	4.6%	0.7%	4.4%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	1.6%	-2.6%	-4.9%
Invest. Grade	0.3%	-1.3%	-2.8%
High Yield	1.2%	-0.3%	-1.8%

Asset Class Performance | Weekly and Year-to-Date (as of April 18)**



**Weekly performance calculated from Thursday close to Thursday close.

***Assumes all asset classes are priced in US dollars unless otherwise noted. Ranked in order of performances (best to worst).

Weekly Data**

Data as of April 18

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	5011.1	(3.6)	(4.6)	5.5	22.5	7.8	13.4	12.5
DJ Industrial Average	37775.4	(1.8)	(5.1)	0.2	11.2	3.4	7.3	8.7
NASDAQ Composite Index	15601.5	(5.1)	(4.7)	3.9	28.4	3.5	14.3	14.3
Russell 1000	5273.2	(3.7)	(4.8)	5.0	29.9	10.5	14.8	12.7
Russell 2000	4828.7	(4.9)	(8.5)	(3.8)	19.7	(0.1)	8.1	7.6
Russell Midcap	8075.7	(4.0)	(6.5)	1.5	22.3	6.1	11.1	9.9

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	560.6	(2.7)	(4.2)	4.4	11.2	4.7	11.4	8.7
Industrials	1021.5	(2.9)	(4.2)	6.3	21.5	7.9	11.0	10.6
Comm Services	286.3	(2.7)	0.9	16.8	49.2	5.3	12.6	9.1
Utilities	327.4	(0.3)	(1.8)	2.6	(3.2)	1.8	5.8	7.9
Consumer Discretionary	1398.8	(4.9)	(5.8)	(1.1)	22.3	(0.1)	9.2	12.0
Consumer Staples	786.8	(0.3)	(3.2)	4.0	2.1	5.9	9.0	8.7
Health Care	1613.6	(1.8)	(6.3)	2.0	5.5	6.2	12.1	11.2
Information Technology	3611.7	(5.9)	(5.5)	6.5	39.0	13.8	22.7	21.4
Energy	717.9	(3.8)	(0.4)	13.2	11.9	30.3	12.4	4.3
Financials	662.9	(2.0)	(5.4)	6.4	21.7	6.1	10.2	10.7
Real Estate	222.7	(4.8)	(9.4)	(10.4)	(1.4)	(1.7)	3.5	6.7

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	5.4	0.1	0.3	1.6	5.4	2.7	2.1	1.4
2-Year Treasury (%)	5.0	0.0	(0.5)	(0.2)	2.1	(0.4)	0.8	0.8
10-Year Treasury (%)	4.6	(0.4)	(3.3)	(4.9)	(4.8)	(5.7)	(1.3)	0.5
Bloomberg US Corporate HY	8.4	(0.8)	(1.7)	(0.3)	8.4	1.3	3.6	4.2
Bloomberg US Aggregate	5.3	(0.5)	(2.5)	(3.2)	(0.5)	(3.5)	(0.1)	1.3
Bloomberg Municipals	--	(0.1)	(1.1)	(1.4)	2.1	(1.1)	1.4	2.4
Bloomberg IG Credit	5.7	(0.7)	(2.7)	(3.1)	1.7	(3.1)	1.0	2.3
Bloomberg EM Bonds	7.4	(0.7)	(1.8)	(0.3)	6.4	(2.5)	0.7	2.6

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	82.1	(3.4)	(1.3)	14.6	1.5	9.1	5.1	(2.4)
Gold ($/Troy Oz)	2398.0	1.1	7.1	15.7	18.7	10.4	13.4	6.4
Bloomberg Commodity Index	102.1	(0.2)	2.6	3.5	(6.1)	5.7	4.6	(2.9)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	106.2	0.8	1.5	4.8	4.3	5.0	1.7	2.9
Euro	1.1	(0.5)	(1.3)	(3.5)	(2.8)	(3.8)	(1.1)	(2.6)
British Pound	1.2	(0.6)	(1.5)	(2.4)	0.1	(3.4)	(0.9)	(3.0)
Japanese Yen	154.6	(0.9)	(2.1)	(8.8)	(13.4)	(11.0)	(6.3)	(4.0)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	749.4	(3.3)	(4.2)	3.7	16.6	4.3	9.9	8.7
MSCI EAFE	2247.5	(2.1)	(4.1)	1.5	7.9	2.4	6.4	4.8
MSCI Europe ex UK	2539.9	(1.3)	(4.0)	1.8	7.8	3.4	8.0	5.4
MSCI Japan	3842.4	(3.6)	(5.2)	4.9	17.5	1.4	6.7	6.7
MSCI EM	1018.6	(3.4)	(2.0)	0.1	5.0	(6.2)	1.5	2.9
MSCI Asia ex JP	640.3	(3.3)	(1.8)	0.3	1.7	(7.9)	1.2	4.0
MSCI LATAM	2385.7	(5.2)	(5.8)	(9.4)	11.4	7.2	2.8	1.2
Canada S&P/TSX Composite	15781.6	(1.8)	(2.1)	3.6	4.9	3.9	5.5	4.1

**Weekly performance calculated from Thursday close to Thursday close.

DISCLOSURES

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The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Diversification and asset allocation do not ensure a profit or protect against a loss.

INTERNATIONAL INVESTING | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

SECTORS | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

OIL | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

CURRENCIES | Currency investing is generally considered speculative because of the significant potential for investment loss. These markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

GOLD | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

FIXED INCOME | Fixed-income securities (or bonds) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. A credit rating of a security is not a recommendation to buy, sell or hold the security and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning Rating Agency. Ratings and insurance do not remove market risk since they do not guarantee the market value of the bond.

US TREASURYS | US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value.

PRODUCER PRICE INDEX | The Producer Price Index (PPI) is a measure of wholesale inflation, while the Consumer Price Index measures the prices paid by consumers.

CONSUMER PRICE INDEX | The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX | The PCE price index, released each month in the Personal Income and Outlays report, reflects changes in the prices of goods and services purchased by consumers in the United States.

UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT INDEX | The Michigan Consumer Sentiment Index (MCSI) is a monthly telephone survey of how consumers feel about the economy, personal finances, business conditions, and buying conditions.

NAHB HOUSING MARKET INDEX | The National Association of Home Builders (NAHB) Housing Market Index (HMI) rates the relative level of current and future single-family home sales. The data is compiled from a survey of around 900 home builders. A reading above 50 indicates a favorable outlook on home sales; below indicates a negative outlook.

IMPORT/EXPORT PRICE INDEX | The US Import and Export Price Indexes measure average changes in prices of goods and services that are imported to or exported from the United States.

LEADING ECONOMIC INDEX | The Composite Index of Leading Indicators, otherwise known as the Leading Economic Index (LEI), is an index published monthly by The Conference Board. It is used to predict the direction of global economic movements in future months. The index is composed of 10 economic components whose changes tend to precede changes in the overall economy.

ISM MANUFACTURING INDEX | The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms.

ISM SERVICES INDEX | The Institute of Supply Management (ISM) Non-Manufacturing Index is an economic index based on surveys of more than 400 non-manufacturing (or services) firms' purchasing and supply executives.

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DATA SOURCE | FactSet, Bloomberg as of 4/18/2024

DOMESTIC EQUITY DEFINITION

DOW JONES INDUSTRIAL AVERAGE (DJIA) | The **Dow Jones Industrial Average (DJIA)** is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

NASDAQ COMPOSITE INDEX | The **Nasdaq Composite Index** is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange.

S&P 500 | The **S&P 500 Total Return Index:** The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

S&P 500 EQUAL WEIGHT INDEX | The **S&P 500 Equal Weight Index:** The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

LARGE GROWTH | **Russell 1000 Growth Total Return Index:** This index represents a segment of the Russell 1000 Index with a greater-than-average growth orientation. Companies in this index have higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values. This index includes the effects of reinvested dividends.

MID GROWTH | **Russell Mid Cap Growth Total Return Index:** This index contains stocks from the Russell Midcap Index with a greater-than-average growth orientation. The stocks are also members of the Russell 1000 Growth Index. This index includes the effects of reinvested dividends.

LARGE BLEND | **Russell 1000 Total Return Index:** This index represents the 1000 largest companies in the Russell 3000 Index. This index is highly correlated with the S&P 500 Index. This index includes the effects of reinvested dividends.

SMALL GROWTH | **Russell 2000 Growth Total Return Index:** This index represents a segment of the Russell 2000 Index with a greater-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

MID BLEND | **Russell Mid Cap Total Return Index:** This index consists of the bottom 800 securities in the Russell 1000 Index as ranked by total market capitalization. This index includes the effects of reinvested dividends.

SMALL BLEND | **Russell 2000 Total Return Index:** This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

LARGE VALUE | **Russell 1000 Value Total Return Index:** This index represents a segment of the Russell 1000 Index with a less-than-average growth orientation. Companies in this index have low price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values. This index includes the effects of reinvested dividends.

MID VALUE | **Russell Mid Cap Value Total Return Index:** This index contains stocks from the Russell Midcap Index with a less-than-average growth orientation. The stocks are also members of the Russell 1000 Value Index. This index includes the effects of reinvested dividends.

SMALL VALUE | **Russell 2000 Value Total Return Index:** This index represents a segment of the Russell 2000 Index with a less-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

COMMODITY INDEX DEFINITION

BLOOMBERG COMMODITY INDEX (BCOM) | The Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited.

DUTCH TTF | The Dutch Title Transfer Facility is a virtual trading hub for gas in the Netherlands and is the primary gas pricing hub for the European gas market.

FIXED INCOME DEFINITION

AGGREGATE BOND | **Bloomberg US Agg Bond Total Return Index:** The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

HIGH YIELD | **Bloomberg US Corporate High Yield Total Return Index:** The index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

CREDIT | **Bloomberg US Credit Total Return Index:** The index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

MUNICIPAL | **Bloomberg Municipal Total Return Index:** The index is a measure of the long-term tax-exempt bond market with securities of investment grade (rated at least Baa by Moody's Investors Service and BBB by Standard and Poor's). This index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

BLOOMBERG CAPITAL AGGREGATE BOND TOTAL RETURN INDEX | This index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The index is designed to minimize concentration in any one commodity or sector. It currently has 22 commodity futures in seven sectors. No one commodity can compose less than 2% or more than 15% of the index, and no sector can represent more than 33% of the index (as of the annual weightings of the components).

BLOOMBERG EMERGING MARKET BOND INDEX | The Bloomberg USD Emerging Market Composite Bond Index is a rules-based, market-value-weighted index engineered to measure USD fixed-rate sovereign and corporate securities issued from emerging markets. The index includes both investment- grade and below-investment-grade securities.

FHFA HOME PRICE INDEX | The **FHFA House Price Index (FHFA HPI)** is a collection of publicly available house price indexes that measure changes in single-family home values.

S&P/CASE-SHILLER HOME PRICE INDEX | The **S&P CoreLogic Case-Shiller Home Price Indices** are the leading indicators of U.S. residential real estate prices, tracking changes in the value of residential real estate nationally.

INTERNATIONAL EQUITY DEFINITION

EMERGING MARKETS EASTERN EUROPE | **MSCI EM Eastern Europe Net Return Index:** The index captures large- and mid-cap representation across four Emerging Markets (EM) countries in Eastern Europe.

EMERGING MARKETS ASIA | **MSCI EM Asia Net Return Index:** The index captures large- and mid-cap representation across eight Emerging Markets countries. With 554 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS LATIN AMERICA | **MSCI EM Latin America Net Return Index:** The index captures large- and mid-cap representation across five Emerging Markets (EM) countries in Latin America. With 116 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS | **MSCI Emerging Markets Net Return Index:** This index consists of 23 countries representing 10% of world market capitalization. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 23 countries.

PACIFIC EX-JAPAN | **MSCI Pacific Ex Japan Net Return Index:** The index captures large- and mid-cap representation across four of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

JAPAN | **MSCI Japan Net Return Index:** The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

FOREIGN DEVELOPED MARKETS | **MSCI EAFE Net Return Index:** This index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries.

EUROPE EX UK | MSCI Europe Ex UK Net Return Index: The index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe. With 337 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.

MSCI EAFE | The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations.

MSCI ACWI | The MSCI All Country World Index (ACWI) is a stock index designed to track broad global equity-market performance. The index is comprised of the stocks of about 3,000 companies from 23 developed countries and 26 emerging markets.

CANADA S&P/TSX COMPOSITE | The S&P/TSX Composite Index is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada's primary stock exchange, the Toronto Stock Exchange (TSX). It is the equivalent of the S&P 500 index in the United States, and as such is closely monitored by Canadian investors.

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GERMAN BUND | The German bund is a sovereign debt instrument issued by Germany's federal government to finance outgoing expenditures.

Investment Strategy

Lawrence V. Adam III, CFA, CIMA®, CFP®
Chief Investment Officer
T. 410.525.6217
larry.adam@raymondjames.com

Eugenio J. Alemán, PhD
Chief Economist
T. 727.567.2603
eugenio.aleman@raymondjames.com

Matt Barry, CFA
Investment Strategist
T. 410.525.6228
matt.barry@raymondjames.com

Adolfo Cheong
Investment Strategy Analyst
T 410.525.6256
adolfo.cheong@raymondjames.com

Giampiero Fuentes, CFP®
Economist
T. 727.567.5776
giampiero.fuentes@raymondjames.com

Talley Léger
Senior Equity Strategist
T. 410.525.6234
talley.leger@raymondjames.com

Tracey Manzi, CFA
Senior Investment Strategist
T. 727.567.2211
tracey.manzi@raymondjames.com

Kyle Noonan
Investment Strategy Analyst
T 410.525.6231
kyle.noonan@raymondjames.com

Freddy Otero
Investment Strategy Analyst
T. 410.525.6237
freddy.otero@raymondjames.com

Mike Payne
Investment Strategy Analyst
T 410.525.6232
mike.payne@raymondjames.com

Anne B. Platt, AWMA®, RICP, AIF®
Vice President, Investment Strategy
T. 727.567.2190
anne.platt@raymondjames.com

Lindsay Smith
Investment Strategy Analyst
T. 727.567.3335
lindsay.smith@raymondjames.com

Matthew Ziyadeh, CFA, CIPM®
Investment Strategy Analyst
T. 727.567.8984
matthew.kurayaziyadeh@raymondjames.com

RAYMOND JAMES

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER

880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863

RAYMONDJAMES.COM