THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Key Takeaways

Equity Volatility Increased With the S&P 500 Down ~4%

Political, Economic, Earnings Uncertainty Are All Rising

We Remain Cautious on the Market Near Term

Is bad news becoming bad news for the equity market? For much of this year, investors cheered easing inflation pressures and softening economic data believing it would push the Federal Reserve (Fed) to cut interest rates. This, plus AI tailwinds, helped drive the S&P 500 to 38 record highs and a ~15% gain YTD. But, this week's sentiment shift and market weakness (S&P 500 down ~4% from its recent peak) have been notable, particularly ahead of the Fed's meeting and non-farm payrolls next week. So, the question is: Is bad news now bad news for equities once again or is this just a normal correction? Below we outline three building uncertainties weighing on the equity market and reiterate why we are cautious in the near term:

- **Election Uncertainty |** The twists and turns in this election cycle have been unparalleled in modern history. In fact, with President Biden becoming the first sitting president to not seek reelection since 1968 this becomes only the eighth 'open' election between non-incumbent candidates. While Vice President Harris will likely represent a continuation of the Biden administration policies, investors need to be mindful of the platform she ran on in 2020. For example, Harris favored raising the corporate tax rate to over 30%—currently at 21%. For Trump, the impact of higher tariffs remains unclear. The point: with polls tightening, the market does not like the uncertainty that will likely ramp up as we move past the Summer Olympics. Using history as a guide, 'open' elections have not been positive for the markets. The incumbent party lost six of the seven times, with the equity market down over 2%, on average, leading into the election and returns were positive only 43% of the time. This is consistent with our near-term cautiousness leading into the election. The good news: once the election uncertainty lifts, the market has recovered the year after the election, gaining over 9%, on average, with positive returns over 71% of the time.
- **The Economy Is At An Inflection Point |** After years of persistent strength, the Fed's efforts to cool the economy are working. Inflation pressures are subsiding—prices actually declined last month! The labor market has cooled, with job hiring and quit rates back to normal and the unemployment rate inching up. The interest-rate sensitive areas of the economy (e.g., housing, autos) are under pressure from elevated rates. And consumers, feeling the impact of price hikes, are slowing their spending. Case in point: car manufacturers and dealers have slashed prices and beefed up incentives to counter softening demand. Up until now, this has been good news for the Fed in its quest to tame inflation. But there is growing concern that the economy is cooling too quickly. Powell warned about the potential downside risks to growth from holding monetary policy too tight for too long, and former Fed Governor Dudley, one of the more vocal higher for longer hawks, is now openly calling for the Fed to start cutting rates. Hence, bad news may be turning into bad news, particularly if softer growth starts to weigh on earnings.
- **Earnings Under Scrutiny |** Positive earnings revisions have been a key tailwind for the market year-to-date. Thus far, the 2Q24 earnings season is off to a good start, with S&P 500 earnings on pace to climb ~10% YoY. However, softening economic activity has increased the uncertainty about future earnings strength—with forward-looking management guidance suggesting that consensus 2025 EPS estimates (~$277) may be too high. For example, consumer-facing companies, such as Visa, Nike, and Chipotle, highlighted that not only is consumer spending slowing, but consumers are becoming more discerning. As a result, businesses are refocusing on volume growth as their pricing power wanes. Within Industrials, select transports flagged that capacity is outpacing demand. And Communication Services companies reported slowing ad growth. The point: with valuations stretched and much of the good news already priced in, earnings will be the key driver of the market (38% of S&P 500 market cap report next week). As earnings uncertainty starts to creep back into the market, volatility is bound to follow.

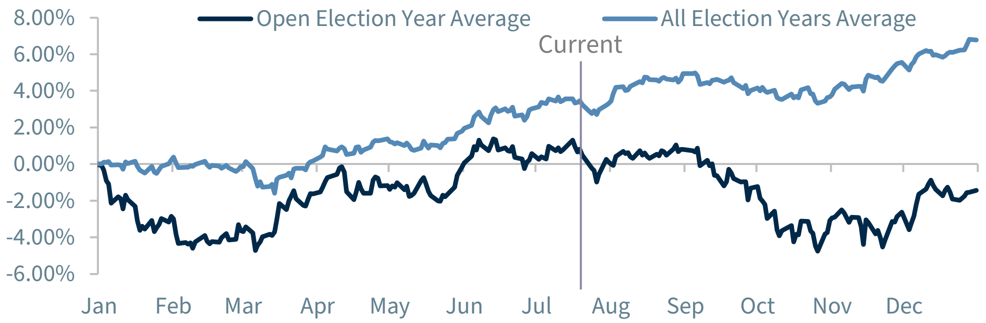
Bottom Line | In addition to these building uncertainties, several other indicators suggest caution in the near term. While we remain positive on the equity market longer term, four other factors suggest weakness ahead:

1. **History |** The S&P 500 typically experiences 3-4, 5% pullbacks in any given year. This year has only seen one. In addition, the current max drawdown of 5% would mark the third smallest max intra-year drawdown dating back to 1990.
2. **Seasonality |** From a seasonal perspective, we have entered the weakest period of the year for the S&P 500. In fact, over the last 30 years, the S&P 500 has been down 1.3% on average from mid-July to mid-October.
3. **Over Optimism |** Investor optimism reached historic levels as the % of bullish investors rose above 50% to the highest level YTD. Historically the market has been down ~0.3% in the following 12 months when the % of bullish investors rose above 50%.
4. **Valuations |** A lot of good news has been priced into the markets, as valuations rose to the 93*rd* percentile vs history. This leaves the market susceptible to earnings and economic misses.

CHART OF THE WEEK

Open Election Year a Headwind for Markets

Historically, an open election year (two non-incumbent candidates) has led to volatility from now until election day.



Source: Factset, data dates back to 1945

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ECONOMY

- Both New and Existing Home Sales were weaker than expected, declining 0.6% and 5.4% MoM, respectively. While the median prices of existing homes sold increased to a new record high, new home prices declined slightly.
- According to the first estimate, 2Q24 GDP rose a stronger than expected 2.8% QoQ annualized.* Strong growth in real GDP during Q2 was achieved with much lower pricing pressures compared to Q1. Perhaps the only concern during the quarter was the strong positive change in inventories (goods produced/imported but not sold), which contributed 0.82 percentage points to GDP growth.
- Headline PCE Price Index, which is the inflation measure targeted by the Fed to conduct monetary policy, was slightly up at 0.1% MoM. Meanwhile, core PCE (excluding the volatile food & energy components) increased an expected 0.2% MoM.*
- **Focus of the Week:** Next week's focus will be centered around labor market reports. Tuesday will see the release of the Job Openings and Labor Turnover/Separations Report, and we expect 'job openings' to fall back below 8M. In Friday's Employment Report, we expect the same weakening dynamic to push the number of jobs added in June down to a 3-month low of 150k. Perhaps of most importance to investors will be the unemployment rate. If it increases to 4.2%, it will trigger the Sahm Rule.**

July 29 – August 2

MON		WED	Pending Home Sales FOMC & BOJ Meeting	FRI	Employment Report Durable/Factory Orders
TUE	FHFA/C-S Home Price Indices JOLTS Consumer Confidence	THU	BOE Meeting ISM Manufacturing Construction Spending	FUTURE EVENTS	8/5 ISM Services 8/6 Trade Balance 8/8 Jobless Claims, Wholesale Inventories

EQUITY

- Volatility has returned to the equity market with the VIX rising above 17 for the first time since April and the S&P 500 snapping its longest streak without a 2% decline since 2007 driven by political rhetoric, concerns over the timing of Fed rate cuts, and AI capex. Seasonal patterns suggest volatility could continue as we enter the late summer as August and September represent the weakest performance months on average dating back to 1995.*
- Recent volatility has also brought technicals back into play with the S&P 500 breaching its 50 DMA to the downside for the first time since early April. Dating back to 1990, crossing the 50 DMA has led to a test of the 100 DMA 77% of the time. We view the 100 DMA at 5,288 as a potential support level if volatility continues, consistent with seasonal patterns. Despite technical risk in the near term, longer term the focus for equities will continue to be fundamentals which still appear very healthy at 10.5% Y/Y EPS growth in 2Q24 while all 11 sectors are expected to post positive Y/Y sales growth for the first time since 3Q22.*
- **Focus of the Week**: Next week marks the busiest week of the 2Q24 earnings season with 166 companies representing 38% of the S&P 500 market cap reporting results. Given recent volatility within the mega-cap tech stocks, we believe markets will be focused on AI capex expectations and expected ROI timelines from MSFT, META, and AMZN.

FIXED INCOME

- As we march toward a Fed rate cut, price action has been focused on the front-end of the curve. Former NY Fed President Dudley's dovish comments (the Fed needs to cut rates 'now') sent 2-year Treasury yields to their lowest level since early February. The move caused the 2s10s spread to steepen to its least inverted level since inverting two years ago, It also pushed the 2s30s spread back to positive.* While this time may be different, historically, when the yield curve moves back into positive territory it has signaled an impending recession.
- With the recent pullback in equities, equity volatility has increased. Typically, this translates into wider credit spreads, but that hasn't happened in any meaningful way as investment grade and high yield corporate spreads remain near historically tight levels. This suggests investors may be complacent and not expecting any big downside surprises in growth or an increase in default risk.
- **Focus of the Week:** The FOMC meeting and July's job report will be a focus for fixed income markets next week along with the Treasury's Quarterly Refunding Announcement. On Monday, the Treasury will provide estimates for debt to be issued and then ahead of the FOMC on Wednesday markets will receive the maturity breakdown for those debt issue plans. Coupon issuance is expected to remain similar to recent quarters—which, if occurs, would be welcome news for the bond market.

POLITICS

- President Joe Biden's withdrawal from the 2024 election and Vice President Kamala Harris' rapid moves to secure the Democratic nomination has opened up an uncertain path forward in the race for the White House, but we are not changing our electoral odds at this time (60% Trump victory, 50% chance of a GOP sweep). A key factor to watch will be how her candidacy is defined and by who (i.e., will Democrats or Republicans get to define it), as well as the currently unanswered question around her VP pick. Her VP will need to be someone fully vetted at the national level and who provides a pickup in key states or among key demographics, with swing state governors Josh Shapiro (PA), Roy Cooper (NC), and Arizona Senator Mark Kelly currently at the top of DC discussion. From a policy perspective, we would expect Harris to broadly continue many of the current policy priorities of the Biden administration, though nuances may differ and will become clearer as her individual platform is clarified. From a market perspective, we continue to expect that market reaction will likely be limited until the full Democratic ticket is confirmed and enough time has passed to clarify whether recent polling increases for Harris are sustained or just reflecting a recent bump of optimism—especially if it appears to tilt the race back in favor of a Democratic White House win and/or a Congressional sweep.

ENERGY

- This week marked the restart of Freeport LNG, the second-largest LNG export facility in the US, after Hurricane Beryl. The facility plays an important role vis-à-vis energy security in Japan and Europe. Europe has been living with a near-total absence of Russian natural gas supply since the second half of 2022. The Kremlin has continually weaponized its gas industry to put political pressure on European governments. The European economy's adaption to this reality is a function of two things: 1) aggressive buildout of wind, solar, and biomass power generation capacity; and 2) the ability of the global LNG market to displace Russian natural gas.

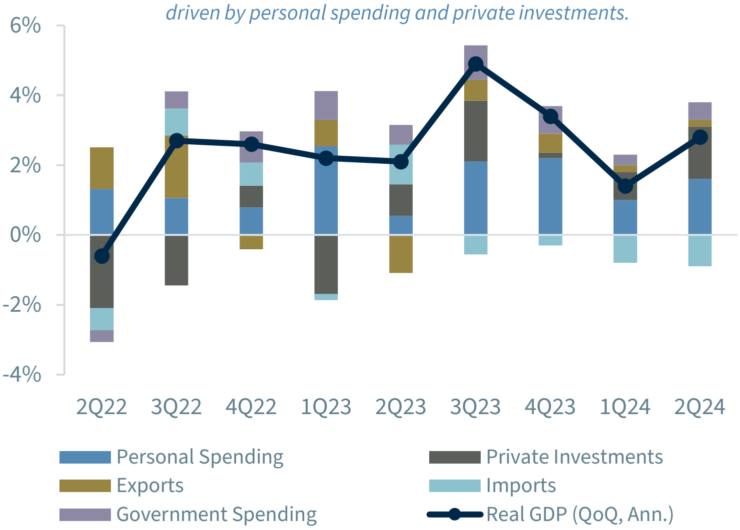
*See Charts of the week on page 3.

***The Sahm Rule identifies signals related to the start of a recession when the three-month moving average of the national unemployment rate rises by 0.50 percentage points or more relative to its low during the previous 12 months.*

Charts of the Week

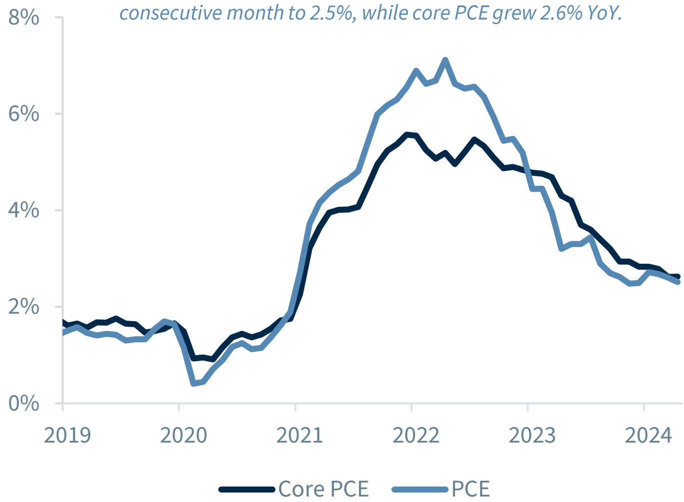
Strong Economic Growth in Q2

2Q24 GDP rose a stronger than expected 2.8% QoQ annualized, driven by personal spending and private investments.



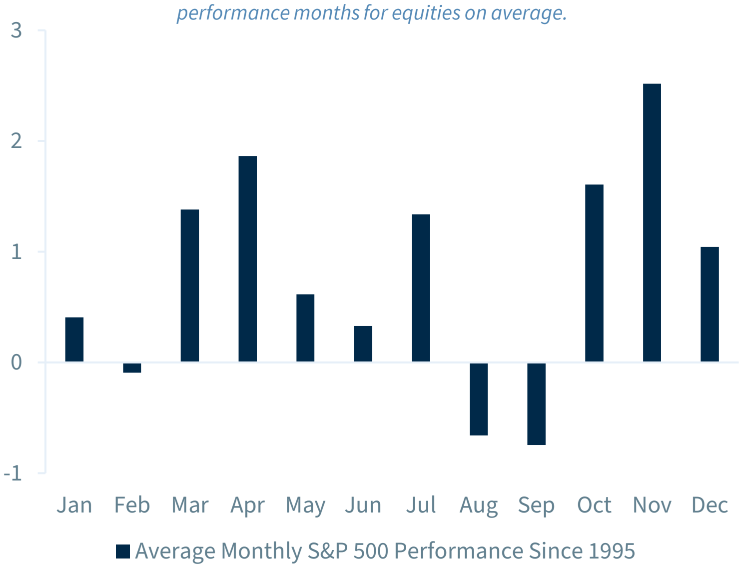
PCE Prices Rise at Mild Pace

The YoY pace of headline PCE prices slowed for the third consecutive month to 2.5%, while core PCE grew 2.6% YoY.



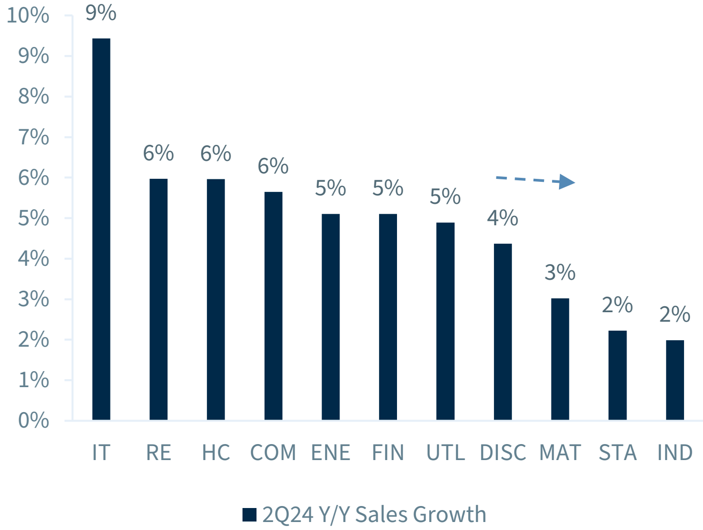
Seasonal Headwinds

The August-September period represents the weakest performance months for equities on average.



Broad Sales Growth

All 11 sectors expect positive Y/Y sales growth for the first time since 3Q22.



The 2s30s Treasury Spreads Un-Inverts

The difference between 30-year Treasury yields and 2-year Treasury yields pushed back into positive territory.

Falling Two-Year Treasury Yields

The 2-year US Treasury yield reached its lowest level since early February.

* Index definitions can be found on the disclosure pages

Asset Class Performance | Distribution by Asset Class and Style (as of July 25)**

US Equities (Russell indices)

Weekly Returns (as of July 25)

	Value	Blend	Growth
Large Cap	-0.9%	-2.4%	-3.8%
Mid Cap	-0.8%	-0.9%	-1.4%
Small Cap	1.7%	1.1%	0.5%

Year-to-Date Returns (as of July 25)

	Value	Blend	Growth
Large Cap	9.6%	13.3%	15.9%
Mid Cap	8.1%	7.5%	5.4%
Small Cap	9.7%	10.5%	11.4%

International Equities (MSCI indices)

Weekly Returns (as of July 25)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	-2.2%	-2.6%	-2.6%
Mid Cap	-2.4%	-1.5%	-2.1%
Small Cap	-2.4%	-0.8%	-1.8%

Year-to-Date Returns (as of July 25)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	10.8%	13.4%	12.0%
Mid Cap	7.3%	7.3%	6.3%
Small Cap	8.2%	8.6%	11.3%

Fixed Income (Bloomberg indices)

Weekly Returns (as of July 25)

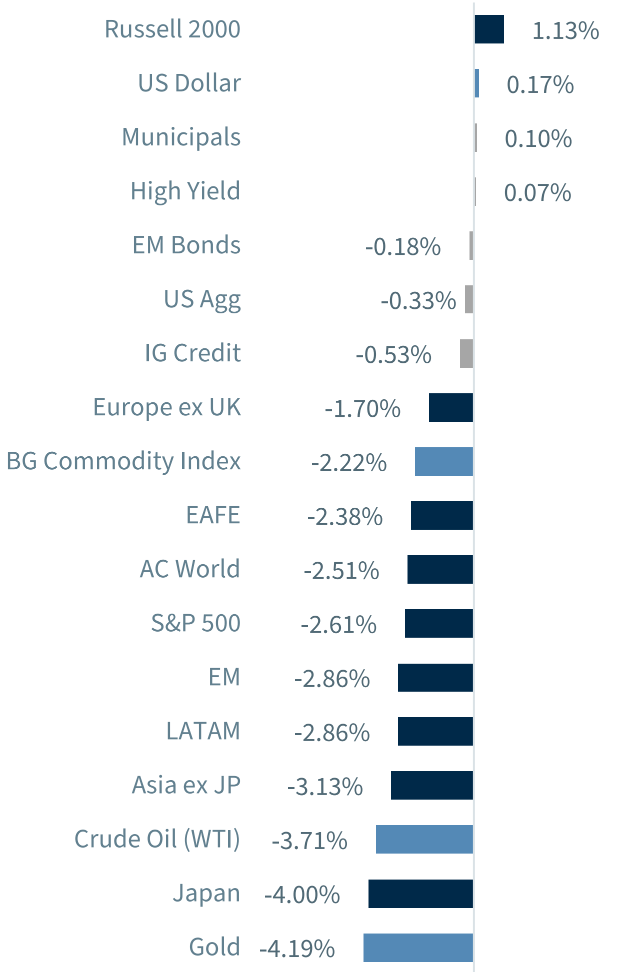
	1-3 YR	Medium	Long
Treasury	0.1%	-0.1%	-0.3%
Invest. Grade	0.1%	-0.1%	-0.3%
High Yield	0.1%	0.1%	-0.4%

Year-to-Date Returns (as of July 25)

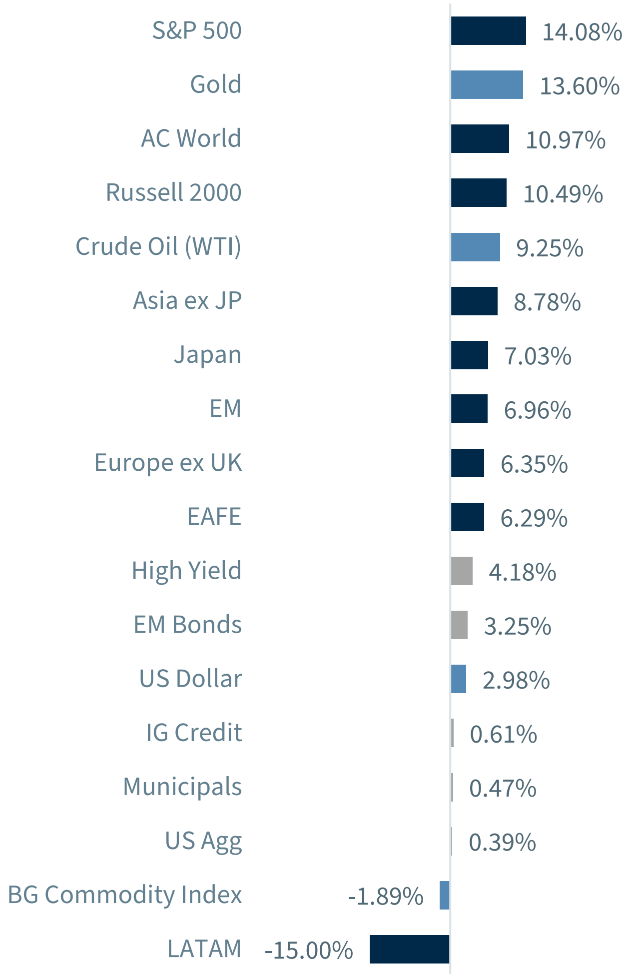
	1-3 YR	Medium	Long
Treasury	3.0%	0.7%	-0.8%
Invest. Grade	2.6%	2.1%	1.4%
High Yield	4.7%	4.2%	0.6%

Asset Class Performance | Weekly and Year-to-Date (as of July 25)**

Weekly***



Year-to-Date***



Commodities Equities Fixed Income

**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).

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Weekly Data**

Data as of July 25

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	5399.2	(2.6)	(1.1)	14.1	20.0	8.6	14.3	12.6
DJ Industrial Average	39935.1	(1.8)	2.1	6.0	12.7	4.4	8.0	8.9
NASDAQ Composite Index	17181.7	(3.9)	(3.1)	14.5	21.5	5.0	15.8	14.5
Russell 1000	5668.3	(2.4)	(0.8)	13.3	23.9	8.7	14.6	12.5
Russell 2000	5524.7	1.1	8.6	10.5	10.1	(2.6)	6.9	7.0
Russell Midcap	8515.7	(0.9)	2.4	7.5	12.9	2.4	9.5	9.0

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	566.1	(1.2)	1.8	5.9	7.3	5.4	11.1	8.2
Industrials	1050.5	(1.2)	1.8	9.7	15.1	8.0	11.5	10.7
Comm Services	287.9	(4.8)	(7.0)	17.8	33.3	2.3	12.5	8.7
Utilities	358.0	0.6	3.4	13.1	6.7	5.7	6.8	8.9
Consumer Discretionary	1460.1	(4.2)	(2.1)	3.4	9.6	0.5	9.4	12.0
Consumer Staples	833.5	(0.6)	1.8	10.9	7.7	6.9	9.2	9.1
Health Care	1736.1	1.3	2.2	10.2	11.5	6.0	12.2	11.1
Information Technology	4148.1	(4.7)	(4.4)	22.6	31.9	16.2	24.8	21.8
Energy	702.3	(1.9)	0.6	11.6	10.2	29.0	13.4	3.4
Financials	711.3	(1.2)	4.1	14.6	23.2	7.7	10.8	10.9
Real Estate	250.6	(1.7)	3.8	1.8	7.9	(1.4)	5.2	7.3

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	5.3	0.1	0.4	3.1	5.5	3.2	2.2	1.5
2-Year Treasury (%)	4.4	0.1	0.8	1.9	4.8	0.2	1.0	1.0
10-Year Treasury (%)	4.3	(0.3)	1.2	(0.8)	1.0	(5.4)	(1.4)	0.6
Bloomberg US Corporate HY	7.9	0.1	1.6	4.2	10.9	2.1	4.1	4.5
Bloomberg US Aggregate	4.8	(0.3)	1.1	0.4	3.8	(2.9)	(0.0)	1.4
Bloomberg Municipals	--	0.1	0.9	0.5	3.4	(0.9)	1.2	2.5
Bloomberg IG Credit	5.3	(0.5)	1.1	0.6	5.6	(3.0)	0.8	2.4
Bloomberg EM Bonds	7.0	(0.2)	1.0	3.2	8.3	(2.0)	0.5	2.6

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	78.3	(3.7)	(4.0)	9.3	(1.7)	2.8	6.9	(2.6)
Gold ($/Troy Oz)	2353.5	(4.2)	0.6	13.6	19.9	9.3	10.7	6.1
Bloomberg Commodity Index	96.8	(2.2)	(4.2)	(1.9)	(10.6)	0.4	4.1	(2.9)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	104.4	0.2	(1.4)	3.0	3.0	3.9	1.3	2.6
Euro	1.1	(0.5)	1.3	(1.7)	(1.7)	(2.6)	(0.5)	(2.1)
British Pound	1.3	(0.8)	1.9	1.0	0.2	(2.2)	0.6	(2.7)
Japanese Yen	153.7	2.0	4.7	(8.3)	(8.2)	(10.4)	(6.7)	(4.0)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	796.8	(2.5)	(0.5)	11.0	15.9	5.4	10.9	8.9
MSCI EAFE	2325.5	(2.4)	0.5	6.3	9.9	3.6	7.1	5.0
MSCI Europe ex UK	2605.9	(1.7)	0.1	6.3	10.0	3.4	8.6	5.8
MSCI Japan	3914.3	(4.0)	0.5	7.0	11.8	3.5	6.9	5.9
MSCI EM	1074.0	(2.9)	(0.7)	7.0	7.1	(3.5)	3.3	2.8
MSCI Asia ex JP	685.9	(3.1)	(1.0)	8.8	7.5	(4.4)	3.5	4.0
MSCI LATAM	2188.0	(2.9)	0.6	(15.0)	(8.9)	2.8	0.6	(0.4)
Canada S&P/TSX Composite	16360.7	(0.5)	3.3	7.9	10.0	3.8	6.5	3.9

**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 us consumers.

CASE-SHILLER HOME PRICE INDEX | The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index measures the change in the value of the U.S. residential housing market by tracking the purchase prices of single-family homes. The index is compiled and published monthly.

CONSUMER CONFIDENCE INDEX | The Consumer Confidence Survey reflects business conditions and possible developments for the months ahead. This monthly report details consumer attitudes, buying intentions, vacation plans, and consumer expectations for inflation, stock prices, and interest rates.

CASE-SHILLER HOME PRICE INDEX | The S&P CoreLogic Case-Shiller US National Home Price Index measures the change in the value of the US residential housing market by tracking the purchase prices of single-family homes. The index is compiled and published monthly.

ISM MANUFACTURING INDEX | The ISM Manufacturing Index, also known as the purchasing managers' index (PMI), is a monthly indicator of US economic activity based on a survey of purchasing managers at manufacturing firms.

ISM SERVICES INDEX | The ISM Services Index is an index that measures the economic condition and performance of service-based companies.

SAHM RULE | The Sahm Rule identifies signals related to the start of a recession when the three-month moving average of the national unemployment rate (U3) rises by 0.50 percentage points or more relative to its low during the previous 12 months.

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DATA SOURCE | FactSet, Bloomberg as of 7/25/2024

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.

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.

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