THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Key Takeaways

The End Of The Fed's Tightening Cycle Is Near

Tightening Lending Standards Holds The Key

Banks Q1 Earnings Reports Will Be A Key Focus

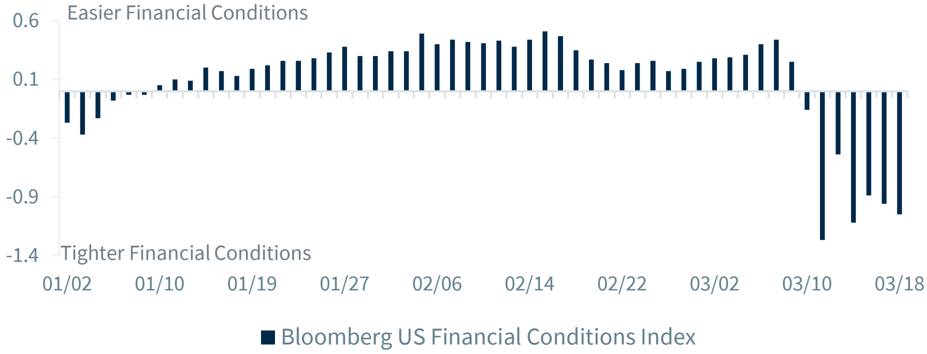
It's spring again—a season of hope and new beginnings! A season that brings more balance, sunshine and clarity into everyone's lives. The start of a new season is also symbolic as it often marks the beginning of a new trend. And a new trend in the financial markets would be welcome after a tumultuous year that included an unprovoked war, an energy crisis, soaring inflation, the fastest global central bank tightening cycle in decades, poor market performance, and most recently, turmoil in the banking system. Uncertainty about the path forward remains elevated, but there is hope that brighter days lie ahead. While markets will remain volatile to the daily dose of news headlines, the coming weeks should provide some clarity, hopefully positive, on the economic outlook and investment landscape. Below is a summary of dynamics we're watching:

- **The Fed Presses Ahead With A 'Dovish' 25 Basis Point Hike |** Powell attempted to carefully thread the needle during the press conference, reiterating the Fed's commitment to restoring price stability, while reassuring the public that the banking system remains safe and sound. Although the Fed hiked rates by 25 basis points to a target range of 4.75% - 5.0%, there were hints that its tightening campaign may be coming to an end. This was evident in the forward-looking statement, which dropped the reference to "ongoing increases *will* be appropriate." Faced with considerable uncertainty around the banking crisis, the Fed opted not to make meaningful adjustments to its updated set of projections. Policymakers penciled in slightly weaker growth (+0.4% in 2023 and +1.2% in 2024), modestly higher core PCE inflation (+3.3% in 2023 and +2.6% in 2024) and minimal changes to the unemployment rate (4.5% in 2023 and 4.6% in 2024). The peak fed funds rate was left unchanged at 5.1% in 2023 but moved lower to 4.3% in 2024. While Powell stated that rate cuts are unlikely in the near term, the bond market is again pricing in substantial rate cuts.*
- **Economic Fallout From the Banking Turmoil |** The Fed and federal regulators have taken decisive steps to shore up confidence by easing liquidity challenges at select banks and stabilizing the banking sector. Banks use of the Fed's liquidity facilities indicated that the funding stress surpassed 2008 crisis levels. It is too early to say whether the current banking turmoil will have a lasting impact on the economy; that depends on depositor confidence (i.e., no bank runs) and the extent banks turn more cautious on lending. Tighter lending standards would mean less access to business, consumer and real estate development loans. There has already been some evidence of tightening financial conditions, which influenced the Fed's rate decision this week. Powell acknowledged at his press conference that tighter lending conditions have acted as a rate hike, thereby offsetting the need for the Fed to push rates even higher. This reinforced the market's view that the Fed is nearing the end of its tightening cycle, good news for risk assets provided the economic fallout is limited to the mild recession our economist expects.
- **Geopolitical Environment Remains Unsettled |** While the world was focused the banking sector crisis, President Xi travelled to Moscow for a three-day trip to discuss China's flourishing economic partnership with Russia (China's imports from Russia have nearly tripled over the last three years*) and mediate a potential end to the war in Ukraine. The meeting did not yield any concrete progress on a peace proposal, however Xi's strengthening ties with Russia were on full display. Xi's meeting with Putin only adds to the US administration's growing concerns about China, particularly after the spy balloon event and the concerns about sending semiconductor supplies and possibly arm sales to Russia. We continue to monitor these geopolitical dynamics given our favorable outlook for EM Asian equities, particularly if the US administration decides to sanction China or take a harder stance on trade.
- **First Quarter Earnings Season |** First quarter earnings estimates have fallen over 5% since the start of the year.* This decrease is larger than the five-year average of -2.7%. Earnings declines are expected to bottom in the second quarter and rebound into year end. We'll get our first glimpse into the challenges facing the banking system when Q1 earnings season begins in a few weeks. Banks are among the first to report, and we'll be watching for any real time insights on deposit flows, customer deposit concentration, loan loss provisions, and unrealized losses on securities that might shed some insights on the depth and extent of the current crisis.
- **Temporary Extension of Black Sea Grain Deal Secured |** Russia agreed to a 60-day extension of the grain deal that was brokered by the UN and Turkey last summer. This deal allows Ukraine, one of the world's most important suppliers of grains, to transport food through the Black Sea. Russia's blockades of Ukraine's ports were a key factor driving food prices higher last summer. While the deal is temporary, it should alleviate near-term concerns about global food shortages and a reacceleration in food prices.

CHART OF THE WEEK

Tightening Financial Conditions

Credit conditions have tightened considerably in the wake of the banking sector crisis. This acts as a brake on economic activity, boosting the case for the Fed to conclude its tightening cycle.



Source: Bloomberg

*See Charts of the week on page 3.

RAYMOND JAMES

ECONOMY

- Existing home sales increased significantly by 14.5% in February, but remained lower than they were a year ago. Despite mortgage rates remaining elevated in February, cooling existing home prices helped buyers with their purchases. In fact, the median home selling price was negative on a year-over-year basis for the first time since February 2012.* Similarly, sales of new single-family homes increased 1.1% in February, to a seasonally adjusted annual rate of 640,000. The new home sales and the existing home sales reports for February are supporting evidence that the housing market while still weak, has started to stabilize after last year's decline.
- The US manufacturing sector continued to struggle in February (-1.0%), even though the decline in the New Orders Index was due, almost completely, to orders of transportation equipment. However, even if we take the transportation sector out, the picture for the sector is not positive. However, much of the decline is concentrated in big ticket items (i.e., transportation equipment).
- **Focus of the Week:** All eyes next week will be on the Personal Income report, with Personal Consumption Expenditures (PCE) and Personal Income taking center stage. In January, both numbers increased by 0.6% month-over-month, and while that's great for the economy, it's not what the Federal Reserve (Fed) wants to see. Despite inflation trending lower, we still expect both PCE and core PCE to increase by 0.4% in February. Three more housing-related indicators will be released next week, including pending home sales, S&P/Case Shiller Composite, and the FHFA/WF Home Price Index. All three are unlikely to be eventful and likely suggest that despite facing high mortgage rates, the housing market is trying and starting to find its footing. Lastly, Consumer Confidence is expected to decline for the third consecutive month, with the Expectation Index likely to fall further.

March 27 – March 31

MON	
TUE	Consumer Confidence FHFA Home Price Index Wholesale Inventories
WED	Pending Home Sales
THU	Jobless Claims
FRI	PCE S&P/Case-Shiller Home Composite
FUTURE EVENTS	4/3 ISM Manufacturing 4/4 JOLTs 4/7 Nonfarm Payrolls

US EQUITY

- The S&P 500 continues to tread water during this period of instability. This week has been near flat in terms of performance, with the Index down less than 2% since the banking crisis began on March 9—impressive resilience considering the circumstances. Leading sectors are Information Technology and Communication Services, as the expectation of less hawkish interest rate policy has produced a tailwind. Both sectors are positive for the month, since the crisis began, and this week. Financials and Energy suffered the largest decline this month, but both bounced back with a positive week.
- The S&P Regional Banks Select Industry Index has experienced a near 4.98% daily volatility since this banking crisis began.* To put this in perspective, the daily volatility of that index has been 1.86% for the last ten years compared to the S&P 500 which is just over 1.12%. Going forward regional banks should see earnings pressure due to deposit flight combined with being forced to pay higher rates on deposits. This may tighten lending standards furthering pressuring net interest margins. Larger banks are the earnings beneficiary as they have seen deposit inflows while maintaining low deposit rates.
- **Focus of the Week:** At this stage we are watching for a decline of bank volatility which would lead to further stability of the market. Deposit stability and sentiment surrounding the most at-risk banks are a key indicator for future volatility.

FIXED INCOME

- Lots of central bank action this week! The Fed unanimously decided to the lift the fed funds rate by 25 bps to a target range of 4.75% to 5.0%. The banking turmoil influenced the Fed's updated projections, which had a dovish tilt, particularly after Powell opened the door for a potential 50 basis point hike a few weeks ago. Powell did a reasonably good job messaging that the Fed still needs to fight high inflation while maintaining financial stability. Reading between the lines, there were two notable observations from Fed day; 1) the Fed's hurdle to cut rates is higher than it has been in the past and it is unlikely to pre-emptively ease policy given the strength of the labor market and elevated inflation pressures, and 2) the Fed's 2024 projections highlight the FOMC is comfortable cutting interest rates even if inflation remains above its 2.0% target. This is shown in its 2024 projections which pencil in a 4.3% fed funds rate (nearly 75 bps below the 2023 year-end forecast) and a 2.6% Core PCE projection. Treasury yields continued to decline, with the 2-year yield falling significantly below the current fed funds rate. This type of price action typically signals the Fed's tightening cycle is nearing the end and rate cuts are likely forthcoming.* Turning to Europe, we received a 25 bps hike from the Bank of England, a 50 bps increase from the Swiss National Bank and a 25 bps hike from Norway's Central Bank.
- **Focus of the Week:** Business and Consumer confidence surveys and some inflation reports in Europe will be the key data releases to watch. The market will remain on high alert for any signs of banking stress, which should keep volatility elevated in the near term.

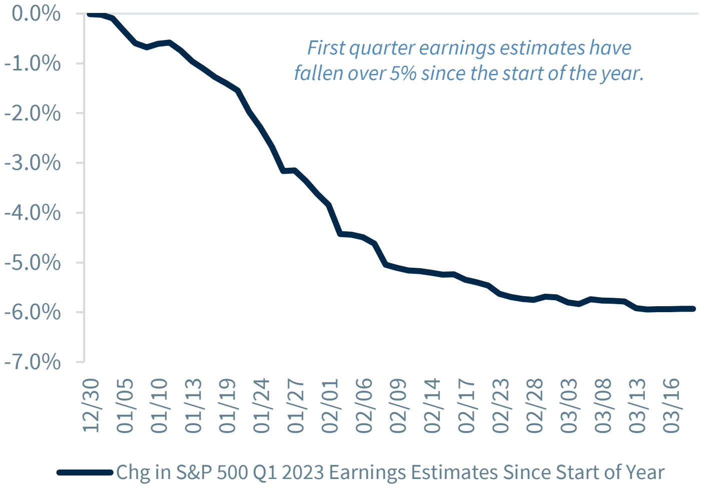
POLITICS

- Deposit insurance is a central focus for regulators and Congress alike. Prominent lawmakers have called for increasing the deposit insurance limit and interest in a permanent or temporary limit raise is growing on a bipartisan basis—however, Congress is unlikely to act to raise deposit limits in the near term as it evaluates its options. Despite growing political pressure, the White House has also reportedly not begun the process of reaching out to Congress for a raise.
- Attention is increasingly focused on the FDIC's potential use of a systemic risk exemption to provide nationwide insurance on uninsured deposits, but in our view, the FDIC will likely resist the use of such authority unless the crisis widens. Oversight hearings will be held in both the House and Senate next week, during which the Fed's regulatory head, the FDIC chair, and senior Treasury officials are slated to testify.

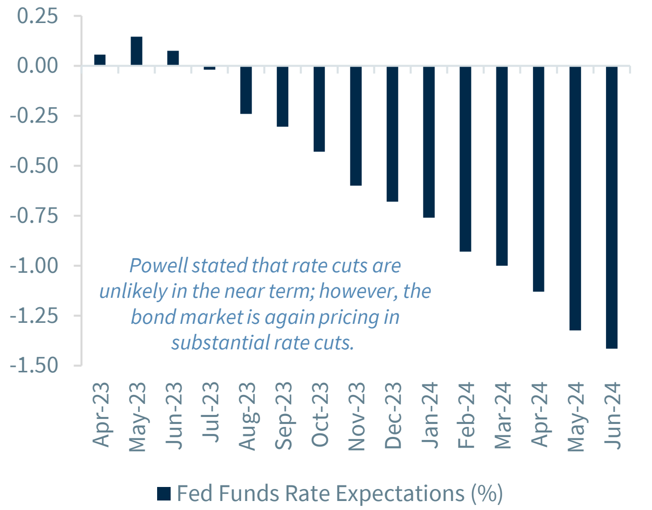
*See Charts of the week on page 3.

Charts of the Week

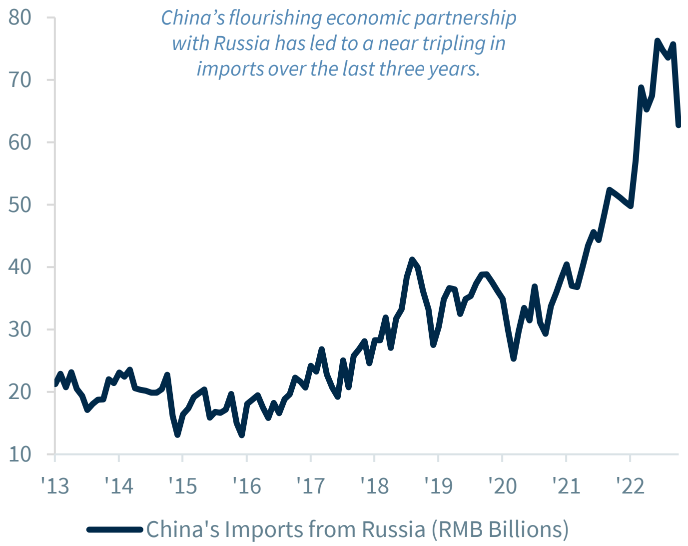
Q1 2023 Earnings Estimates Are Trending Lower



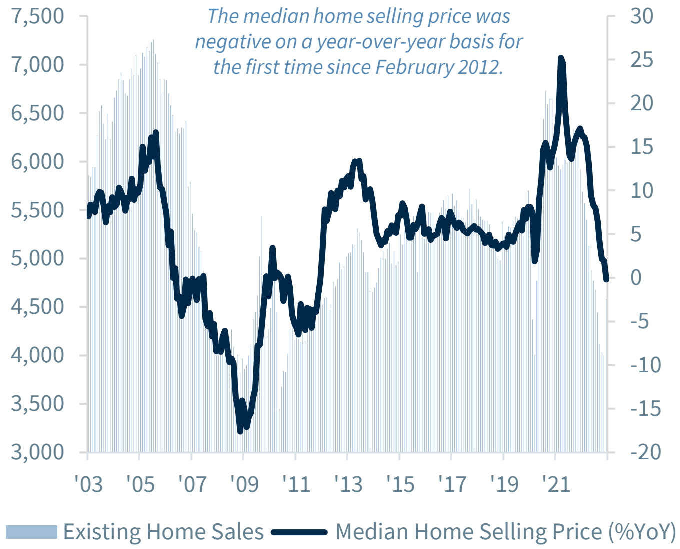
Market Pricing in Substantial Rate Cuts



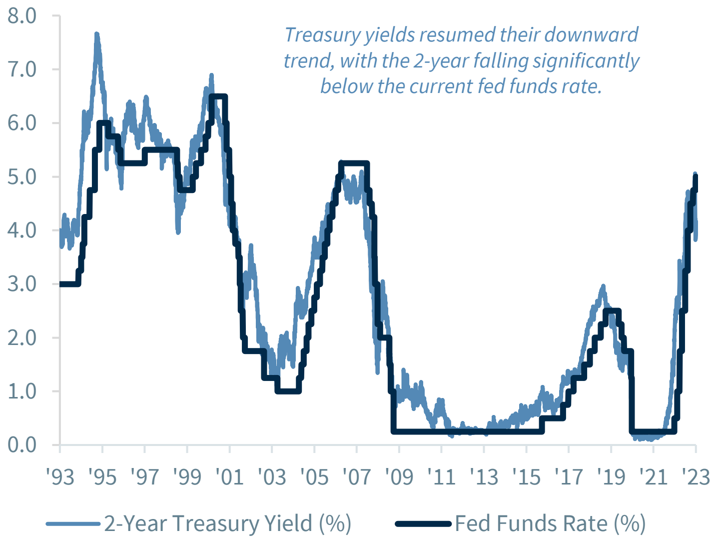
China's Imports From Russia Are Soaring



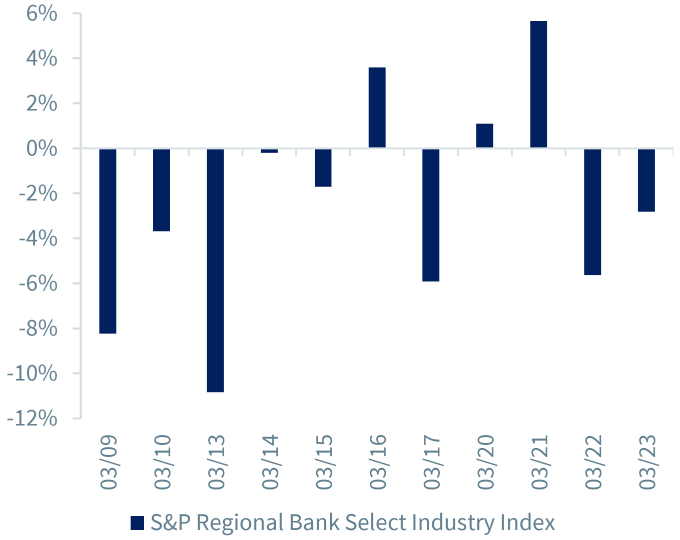
Home Selling Prices Turn Negative



2-Year Treasury Yields Signal Rate Hikes Near The End



Volatility in US Regional Bank Stocks



* Index definitions can be found on the disclosure pages

Asset Class Performance | Distribution by Asset Class and Style (as of March 23)**

Weekly Returns (as of March 23)

US Equities (Russell indices)	Value	Blend	Growth
Large Cap	-1.6%	-0.4%	0.7%
Mid Cap	-2.3%	-1.7%	-0.7%
Small Cap	-3.9%	-2.9%	-1.9%

International Equities (MSCI indices)	Dev. Mkt	World	Emerg. Mkt
Large Cap	1.5%	0.6%	3.3%
Mid Cap	0.8%	-0.4%	1.8%
Small Cap	0.4%	-1.0%	1.3%

Fixed Income (Bloomberg indices)	1-3 YR	Medium	Long
Treasury	0.1%	1.5%	1.7%
Invest. Grade	1.0%	1.6%	1.9%
High Yield	0.1%	0.6%	0.4%

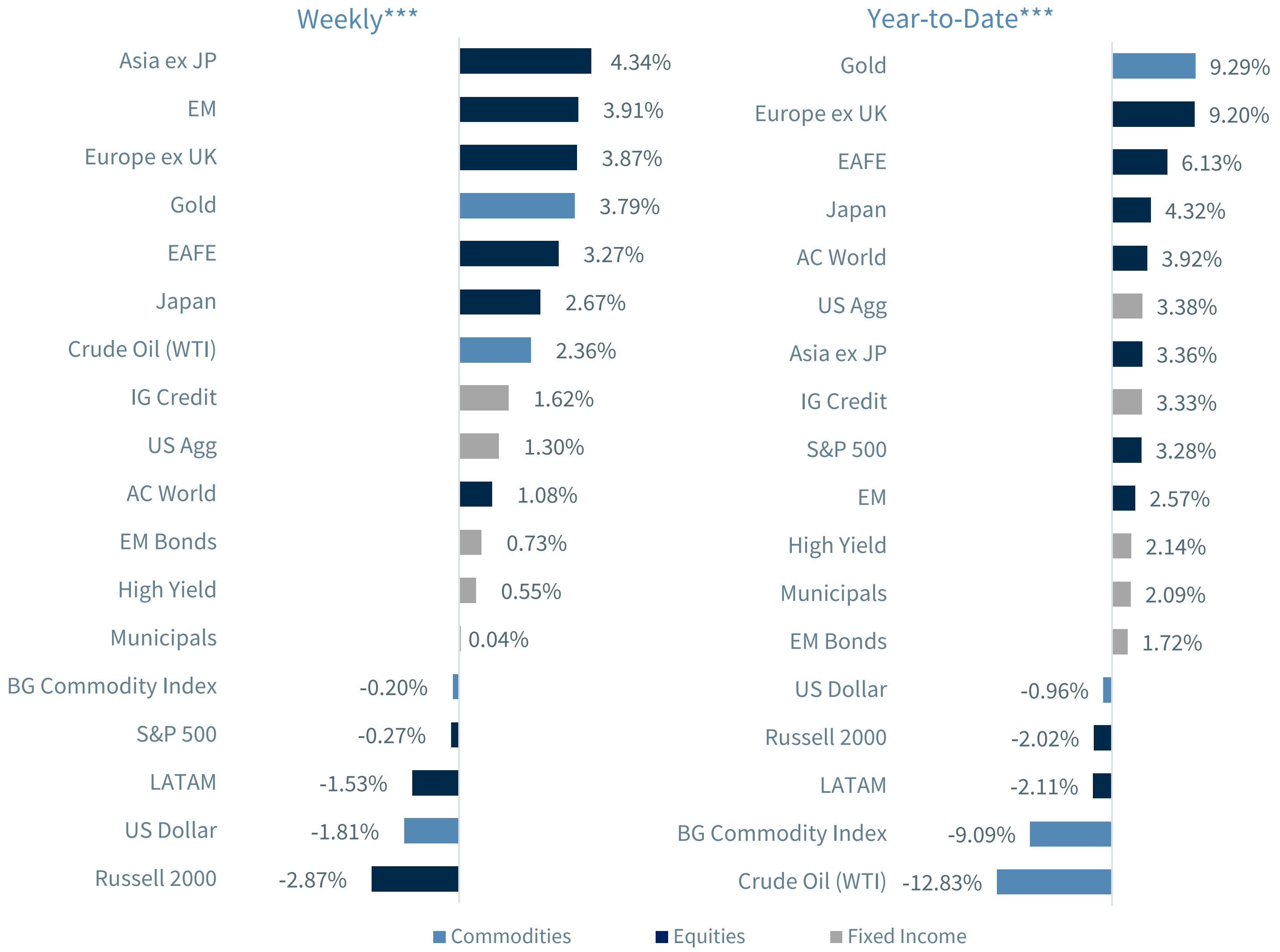
Year-to-Date Returns (as of March 23)

US Equities (Russell indices)	Value	Blend	Growth
Large Cap	-3.7%	3.1%	10.4%
Mid Cap	-4.4%	-1.3%	4.3%
Small Cap	-5.4%	-2.0%	1.3%

International Equities (MSCI indices)	Dev. Mkt	World	Emerg. Mkt
Large Cap	4.8%	4.2%	2.7%
Mid Cap	4.5%	0.3%	1.5%
Small Cap	2.2%	0.3%	2.1%

Fixed Income (Bloomberg indices)	1-3 YR	Medium	Long
Treasury	1.0%	3.2%	4.5%
Invest. Grade	1.6%	2.6%	3.7%
High Yield	2.2%	2.1%	2.1%

Asset Class Performance | Weekly and Year-to-Date (as of March 23)**



**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 March 23

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	3948.7	(0.3)	(0.4)	3.3	(9.9)	22.8	10.8	11.9
DJ Industrial Average	32105.3	(0.4)	(1.7)	(3.1)	(6.6)	20.0	6.4	8.3
NASDAQ Composite Index	11787.4	0.6	2.9	12.6	(15.3)	19.8	11.0	13.8
Russell 1000	4157.1	(0.4)	(1.0)	3.1	(8.2)	11.9	9.7	12.1
Russell 2000	4275.4	(2.9)	(9.2)	(2.0)	(6.0)	10.1	6.0	9.1
Russell Midcap	6815.1	(1.7)	(6.6)	(1.3)	(5.0)	11.5	8.4	10.7

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	480.2	(0.2)	(6.5)	(1.5)	(9.9)	28.3	8.7	9.2
Industrials	817.6	(1.3)	(4.0)	(1.3)	(3.9)	27.8	7.9	10.7
Comm Services	188.3	2.6	8.5	18.5	(18.2)	12.1	6.7	5.1
Utilities	323.7	(5.1)	(1.3)	(9.0)	(7.5)	16.1	8.9	9.0
Consumer Discretionary	1106.4	(0.5)	(2.0)	10.4	(22.6)	16.7	7.8	11.7
Consumer Staples	749.1	(0.7)	0.0	(3.2)	(0.3)	17.5	10.5	9.3
Health Care	1465.4	(1.1)	(0.9)	(7.2)	(4.7)	21.0	11.6	12.8
Information Technology	2545.8	1.7	7.0	17.5	(5.2)	28.4	19.2	19.8
Energy	596.3	0.4	(6.3)	(10.5)	5.7	55.9	8.4	3.9
Financials	516.3	(2.7)	(12.8)	(8.9)	(18.2)	23.3	5.2	9.9
Real Estate	217.8	(5.9)	(8.7)	(5.6)	(22.3)	14.5	6.5	6.7

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	4.4	0.1	0.3	1.0	2.5	0.9	1.4	0.8
2-Year Treasury (%)	3.8	0.8	2.2	1.9	0.0	(0.8)	1.0	0.7
10-Year Treasury (%)	3.4	1.7	4.6	4.5	(6.3)	(5.7)	0.9	0.7
Bloomberg US Corporate HY	8.9	0.6	(0.3)	2.1	(4.0)	8.4	2.9	4.0
Bloomberg US Aggregate	4.3	1.3	3.0	3.4	(4.5)	(2.0)	1.1	1.4
Bloomberg Municipals	--	0.0	1.5	2.1	(1.1)	2.6	2.0	2.3
Bloomberg IG Credit	5.1	1.6	2.6	3.3	(5.3)	1.7	1.7	2.3
Bloomberg EM Bonds	7.4	0.7	0.8	1.7	(3.9)	1.4	0.3	2.0

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	70.0	2.4	(9.2)	(12.8)	(39.1)	44.1	1.2	(2.9)
Gold ($/Troy Oz)	1995.9	3.8	8.7	9.3	3.0	8.4	8.1	2.2
Bloomberg Commodity Index	102.6	(0.2)	(3.4)	(9.1)	(20.4)	18.3	3.2	(2.9)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	102.5	(1.8)	(2.2)	(1.0)	4.0	0.0	2.8	2.2
Euro	1.1	2.5	2.7	2.0	(1.0)	0.4	(2.5)	(1.8)
British Pound	1.2	1.7	1.8	2.4	(6.7)	2.4	(2.7)	(2.1)
Japanese Yen	131.0	1.5	4.0	0.7	(7.6)	(5.3)	(4.4)	(3.2)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	626.4	1.1	(0.2)	3.9	(8.8)	20.2	7.0	8.3
MSCI EAFE	2052.0	3.3	0.3	6.1	(2.1)	18.2	3.8	5.2
MSCI Europe ex UK	2300.2	3.9	0.7	9.2	2.1	20.3	5.3	6.5
MSCI Japan	3272.5	2.7	2.1	4.3	(7.3)	11.8	1.7	5.3
MSCI EM	977.8	3.9	1.6	2.6	(11.4)	11.9	(0.8)	2.4
MSCI Asia ex JP	638.7	4.3	2.5	3.4	(9.9)	11.0	0.2	4.5
MSCI LATAM	2067.2	(1.5)	(5.1)	(2.1)	(12.7)	21.5	(2.4)	(1.9)
Canada S&P/TSX Composite	14247.0	(0.4)	(3.8)	0.4	(11.3)	20.1	5.0	4.3

**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.

CONSUMER CONFIDENCE INDEX | The Consumer Confidence Index (CCI) is a survey, administered by The Conference Board, that measures how optimistic or pessimistic consumers are regarding their expected financial situation.

PERSONAL CONSUMPTION EXPENDITURES | Personal consumption expenditures (PCE) is a measure of consumer spending, and includes all goods and services bought by US households.

BLOOMBERG U.S. FINANCIAL CONDITIONS INDEX | The Bloomberg U.S. Financial Conditions Index is a Z-score tracking the overall level of financial stress in the U.S. money, bond, and equity markets to help assess the availability and cost of credit.

S&P REGIONAL BANKS SELECT INDUSTRY INDEX | S&P Select Industry Indices are designed to measure the performance of narrow GICS® sub-industries. The index comprises stocks in the S&P Total Market Index that are classified in the GICS regional banks sub-industry.

S&P CASE-SHILLER COMPOSITE INDEX | The Case-Shiller Composite Index is a composite index of the home price index for 20 major Metropolitan Statistical Areas in the United States.

FHFA/WF HOME PRICE INDEX | FHFA Home Price Index is a broad measure of the movement of single-family house prices. The FHFA HPI is a weighted, repeat-sales index, meaning that it measures average price changes in repeat sales or refinancings on the same properties.

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DATA SOURCE | FactSet, as of 3/23/2023

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.

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.

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.

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

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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