THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Key Takeaways

GDP and Interest Rates Have Fallen Over the Last 50 Years

People Living Longer is a Positive for Health Care Sector

Tech Revolution Supportive of Tech and Communication Services Sectors

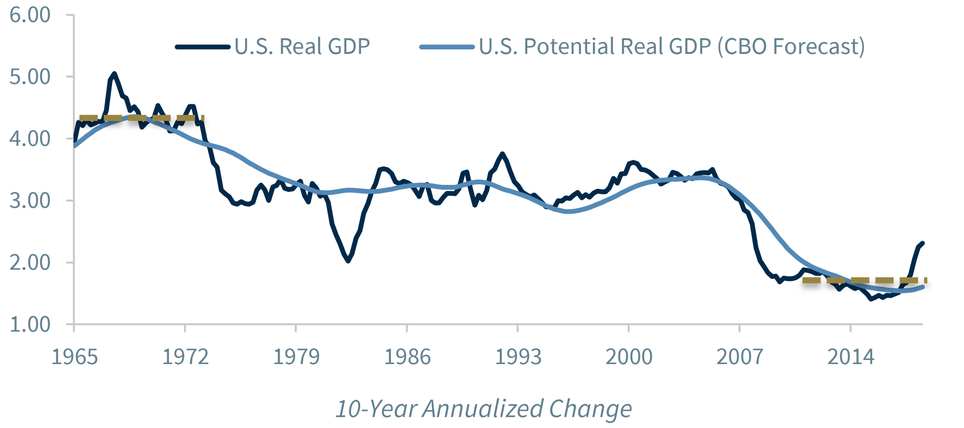
I made it! I am fortunate to be celebrating my fiftieth birthday this week, joining Jennifer Lopez, Jennifer Aniston, Jack Black, Jay-Z, and Matthew McConaughey who were also born in 1969. As I reflect upon my life thus far, not only have I changed (just a little bit of gray hair!), but there have been demographic, economic and financial market modifications that need to be appreciated and applied to investment strategy.

- **Fifty is the New Forty |** Back in 1969, the average life expectancy was ~70 years; today it is approaching ~79 years. The added years of life expectancy are a result of enhanced preventive and life sustaining medicines, two long-term reasons why we continue to like the Health Care sector. Other supportive factors include attractive valuations and strong growth prospects for the rest of 2019 and 2020. However, living longer is not without its drawbacks as the longer people 'tap' into social security and Medicare, the more fiscally challenged these programs will become.
- **Two is the New Four |** In the late 1960s and early 1970s, US GDP growth in excess of 4.0% was not an anomaly and was considered a 'healthy' growth rate. Today, because of demographics and structural changes to the economy, 2% GDP is considered healthy as the economy grows above its potential (estimated to be +1.9%). Slower growth has been offset somewhat by the increased longevity of economic expansions as the current expansion is the longest (123 months) in US history. We forecast that the US economy will grow by 2.2% in 2019 and 1.7% in 2020. With a low probability of a recession over the next 12 months, risky assets such as equities should continue their ascent (S&P 500 2019 year-end target = 3,071).
- **One is the New Seven |** The 10-year Treasury yield was ~7% when I was born and peaked around 15% as I became a teenager. However, after that, interest rates and my age have gone in completely opposite directions. Today, the 10-year Treasury yield struggles to shake the 1%-handle to the upside. Weak global growth, trillions of dollars of negative yielding debt, tepid inflation, and aging global demographics will keep interest rates lower for longer. In addition, as global debt from governments, businesses and consumers has increased to record levels, the global economy will have a tough time absorbing higher interest rates (as interest payments increase). Our 2019 year-end 10-year Treasury yield forecast is 1.60%. With rates remaining low and the yield curve relatively flat, we have a neutral view on the Financial sector.
- **The Tech Revolution |** The industrial revolution has been replaced by a technology revolution. In 1970, manufacturing accounted for ~24% of US economic output, more than double the 2018 contribution of ~11%. During that time, General Electric and General Motors were considered the bellwethers of the US economy while now they collectively only make up 0.5% of the S&P 500 market cap. It was not as if technology was non-existent in 1969 as the first iteration of the internet (called the Advanced Research Projects Agency Network or ARPANET) was created and connected four computers together. However, today, it is estimated that there are ~7 billion internet-connected devices! As the number of users continues to reach record levels and as companies continue to adopt new technologies and replace 'outdated' processes, it is no surprise that Technology and Communication Services are two of our favorite sectors. The visibility of the earnings in these two sectors remains healthy and in a world where growth is slowing, strong earnings growth should be valued at a premium.
- **Lifting the Shopping 'Blues' |** The Blue Laws, which restricted shopping on Sundays, were generally in effect in the 60s, 70s and 80s. In addition to most states repealing and relaxing the rules surrounding Blue Laws, e-commerce and expedited delivery essentially allow US consumers to shop anywhere at anytime with just a few clicks! Fifty years ago, department stores were the dominant source of shopping and the leaders of the sector. Today, department stores represent less than 1% of the market cap of the Consumer Discretionary sector whereas internet retailers make up ~35% (up from 5% just 15 years ago.) The US Department of Commerce estimates that consumers spent $514 billion online last year, up 14.2% from the year prior! While brick and mortar stores without an internet presence will likely continue to struggle, we expect companies with strong e-commerce ties to continue to excel.

CHART OF THE WEEK

Two is the New Four

While real potential US GDP growth was around 4% fifty years ago, demographics and structural changes have pushed potential GDP growth to around 2% in present day. As the US economy is now growing above potential, this should be supportive of equities.



*See Charts of the week on page 3.

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ECONOMY

- As expected (~75% probability embedded within the futures market), the Federal Open Market Committee (FOMC) lowered the federal funds target range by 25 basis points for the second time this year. The wording of the policy statement was little changed from the July meeting statement and Fed officials were once again divided with respect to the trajectory of future policy. Three Fed members dissented, two members wanted no cut, and one Fed member wanted a 50 bps cut.*
- Chair Powell said that the rate cut was “to help keep the U.S. economy strong in the face of some notable developments and to provide insurance against ongoing risks.” He noted that consumer spending continues to be supported by solid fundamentals and “has been the key driver of growth.” However, he highlighted that continued uncertainty about trade policy continues to discourage further business investment. Asked whether this cut could be seen as “a mid-cycle adjustment,” Powell demurred, noting that “if the economy does turn down, then a more extensive sequence of rate cuts could be appropriate.”
- The Fed dots (which represent the individual Fed members’ future Fed funds rate forecasts) were consistent with the notion of this rate cut being a “mid-cycle” adjustment, as the median dot for year end 2019 and 2020 were unchanged from the current Fed Funds rate following the cut, suggesting that the Fed will remain on hold through 2020. This may prove to be a disappointment for the market, as the market is now pricing in ~75 bps of cuts over the next 12 months.
- **Focus of the Week:** The Conference Board’s Consumer Confidence Index is expected to remain strong, supported by robust labor market perceptions. The University of Michigan’s Consumer Sentiment Index is likely to improve in the full-month assessment, supported partly by the expectation that the Fed would cut short-term interest rates and improvement in equity prices. Little change is anticipated in the third estimate of 2Q19 GDP growth (a 2.0% annual rate in the second estimate). Personal income is expected to be led by a healthy gain in wages and salaries in August, while consumer spending growth is likely to have slowed.

September 23 – September 27

MON	Chicago Fed Nat. Acc. Index
TUE	Consumer Confidence
WED	New Home Sales
THU	Jobless Claims Adv. Economic Indicators Real GDP
FRI	Personal Income Durable Goods Orders Consumer Sentiment
FUTURE EVENTS	10/3 ISM Non-Manufacturing Survey 10/4 Employment Report

US EQUITY

- Incremental positives on trade, as well as a supportive Fed, allowed the S&P 500 to hold near new highs. While a major trade deal in October isn’t likely, the tone is much improved. The Fed eased by 25 bps, highlighting trade and slowing global growth as the biggest headwinds to the economy. However, Chairman Powell reiterated the Fed’s stance to stand by and support as needed.
- While the S&P 500 has moved sideways lately, there has been plenty of activity beneath the surface. The percentage of S&P 500 stocks above their 50 and 200 day moving averages has continued to expand, supporting the technical backdrop.* Moreover, the momentum shift from Information Technology to former laggards like Financials and Industrials has consolidated slightly.
- **Focus of the Week:** We raised our next 12-month S&P 500 target, edging up to 3122 (from 3108), which represents a ~6% total return potential from current levels. Moreover, absent a major negative surprise with trade, downside is most likely contained near technical support in the mid-2900s.

FIXED INCOME

- The unexpected repo rate spike created pressure and a heightened perception of risk as the Fed injected cash into the repo market for the first time since 2007 to stabilize short-term lending facilities. We believe that the elevated repo market volatility is driven by short-term technical factors and likely does not pose a long-term structural risk to our asset class outlooks.
- **Focus of the week:** Interest rates are down across the yield curve since last week’s close and to a greater extent on the longer end, thereby flattening the yield curve. Global central banks are lowering interest rates and in some cases introducing yet another round of asset purchases. Worldwide accommodative monetary policies will continue to sustain long-term pressure on domestic interest rates. Interest rate swings will continue as economic data releases and political statements push and pull sentiment, but in the end, as long as the global central banks continue with their easing policies, the general interest rate trend will be down.*

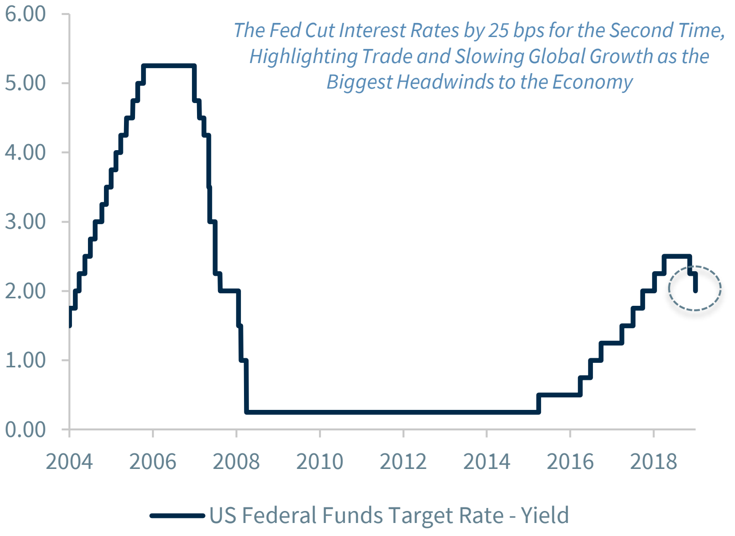
INTERNATIONAL AND COMMODITIES

- The Organization for Economic Co-operation and Development (OECD) slashed its forecast for global economic growth from 3.2% to 2.9%. Uncertainty over Europe and trade contributed to the revised forecast, with a possible no-deal Brexit reducing the UK’s economy by an estimated .3%. This negative revision supports greater selectivity and active management.
- Following last weekend’s stunning drone attack against the major oil facilities at Abqaiq and Khurais, Saudi officials expressed optimism for a rapid pace of repairs. The government expects nationwide production capacity to reach 11 million barrels per day (bpd) by the end of September, en route to the long-standing ‘official’ figure of 12 million bpd by the end of November. This statement clearly spurred some profit-taking following the 13% rally in oil prices on September 16 – this was the latest instance of the oil market’s knee-jerk trading, on the upside as well as downside. Price choppiness will surely persist while the situation vis-à-vis the repairs remains hazy – not to mention the geopolitical uncertainty as to whether there will be any military retaliation.*
- Three factors make the Saudi timetable questionable: (1) the damage seen in the satellite photos was severe, likely necessitating some custom-made equipment to be imported; (2) large-scale energy infrastructure work around the world, both new builds and repairs, tends to take longer (and cost more) than original expectations; and (3) Saudi Aramco’s plan – which remains unchanged despite the attack – to pursue an IPO in the next 12 months gives it a vested interest in broadcasting that “all is well.”
- **Focus of the week:** Trump placed “some very significant sanctions” on Iran as Saudi Arabia’s defense ministry claimed that the attack was sponsored by Iranian forces. Trump has walked back his initial “lock and loaded” reaction, as economic sanctions appear to be a viable alternative to military conflict. Geopolitical risk will likely continue to support crude prices.

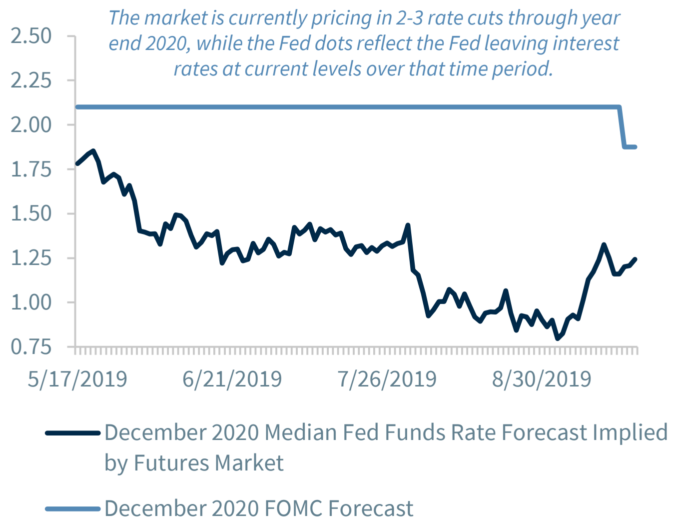
*See Charts of the week on page 3.

Charts of the Week

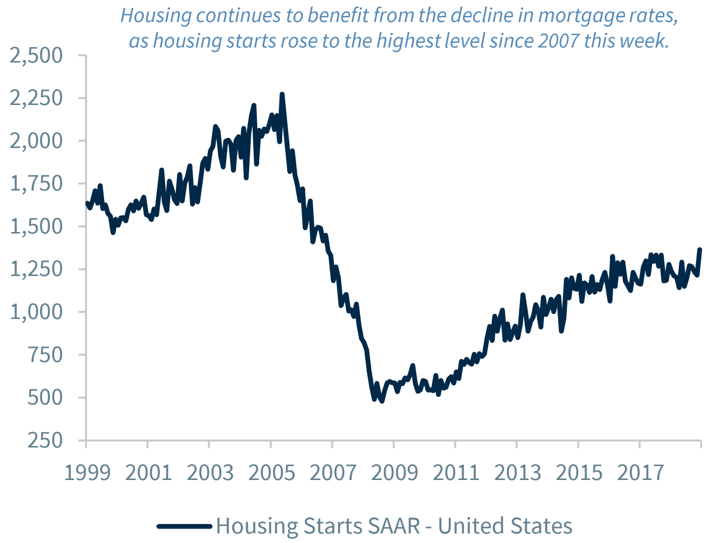
Fed Cuts Fed Funds Rate at September FOMC Meeting



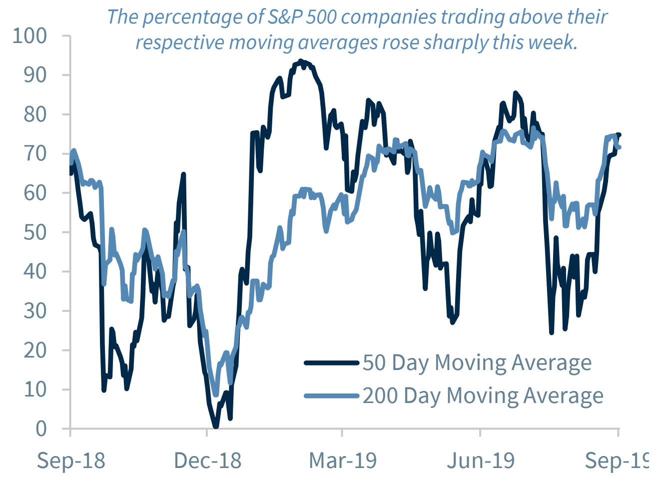
Market Expectations for Future Cuts Still Elevated



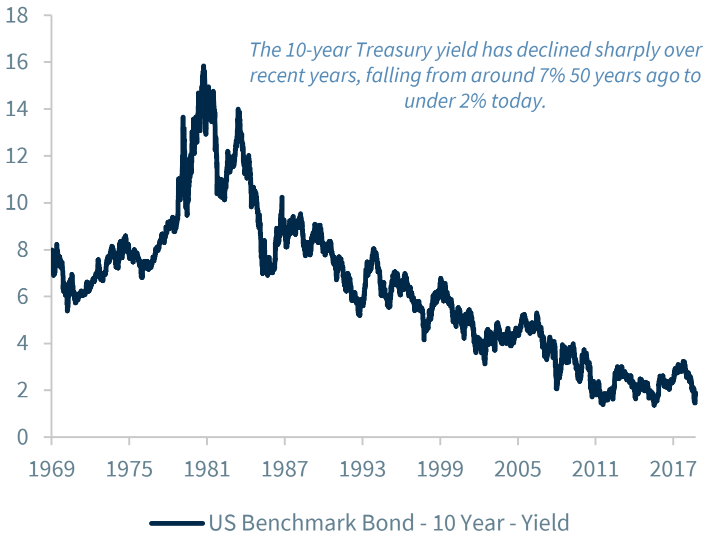
Housing Starts Rise to Multi-Year High



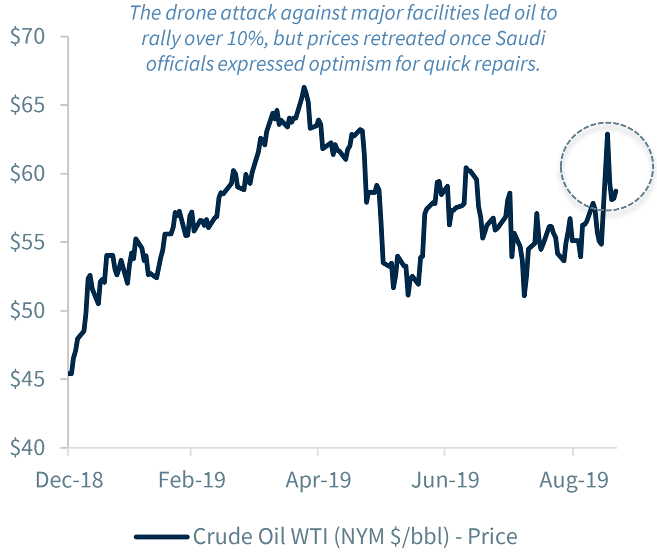
S&P 500 Internals Improving



10-Year Treasury Yield Decade Long Decline



Crude Oil's Wild Ride



Asset Class Performance | Distribution by Asset Class and Style (as of September 19)

Weekly Returns (as of September 19)

U.S. Equities (S&P indices)

	Value	Blend	Growth
Large Cap	-0.3%	0.0%	0.3%
Mid Cap	-1.1%	-0.7%	-0.3%
Small Cap	-1.4%	-1.1%	-0.7%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	-0.1%	0.0%	-0.6%
Mid Cap	-0.2%	0.0%	0.2%
Small Cap	0.3%	-0.2%	-0.2%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	0.5%	1.2%
Invest. Grade	0.2%	0.5%	0.8%
High Yield	0.2%	0.2%	0.2%

Year-to-Date Returns (as of September 19)

U.S. Equities (S&P indices)

	Value	Blend	Growth
Large Cap	20.7%	21.7%	22.7%
Mid Cap	17.6%	18.7%	19.6%
Small Cap	16.6%	15.5%	14.5%

International Equities (MSCI indices)

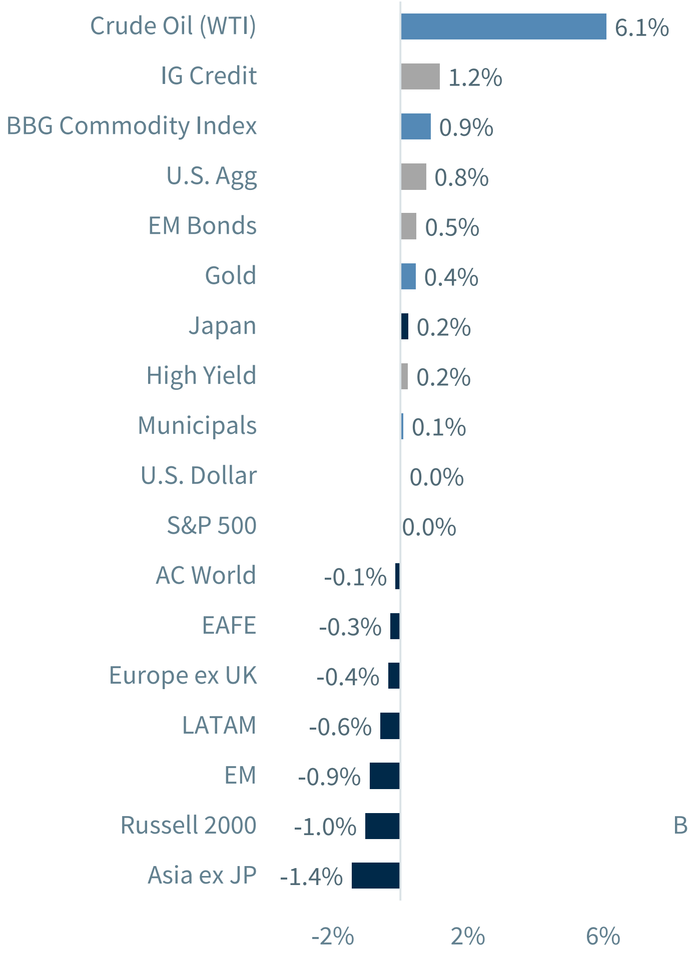
	Dev. Mkt	World	Emerg. Mkt
Large Cap	16.3%	18.5%	9.7%
Mid Cap	16.8%	18.9%	6.7%
Small Cap	15.4%	16.4%	4.9%

Fixed Income (Bloomberg Barclays indices)

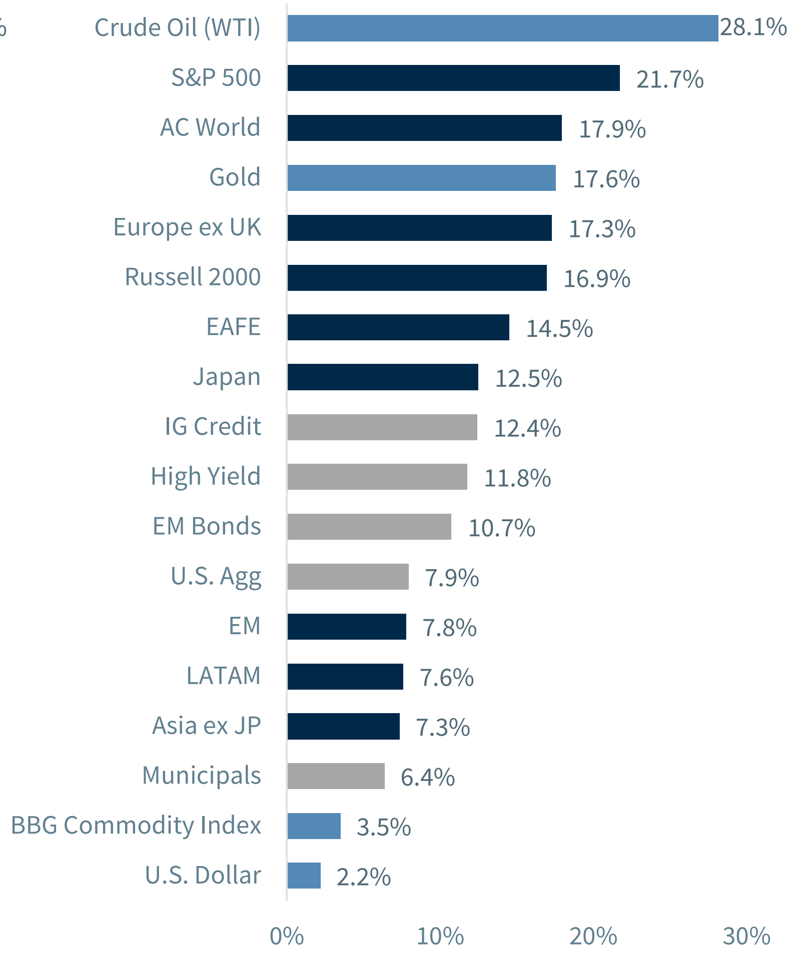
	1-3 YR	Medium	Long
Treasury	1.8%	5.5%	9.8%
Invest. Grade	3.9%	8.4%	11.9%
High Yield	6.3%	11.4%	19.1%

Asset Class Performance | Weekly and Year-to-Date (as of September 19)

Week-to-Date**



Year-to-Date**



Commodities Equities Fixed Income

**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 September 19

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	3006.8	(0.1)	2.9	21.7	5.5	14.3	10.8	15.8
DJ Industrial Average	27094.8	(0.3)	2.6	16.1	2.6	19.3	12.6	16.1
NASDAQ Composite Index	8182.9	(0.1)	2.8	23.3	2.9	19.9	13.1	19.0
Russell 1000	3195.1	(0.0)	2.8	21.8	2.5	12.6	9.9	13.5
Russell 2000	3880.7	(0.8)	4.6	16.9	(12.9)	7.9	6.4	11.6
Russell Midcap	5794.2	(0.0)	2.9	23.1	0.5	10.1	7.9	13.5

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	366.7	0.5	3.7	17.7	(0.5)	9.9	5.1	8.9
Industrials	660.7	(0.3)	3.9	23.6	1.0	12.6	9.4	13.2
Comm Services	171.4	(0.5)	2.9	24.7	11.0	4.5	5.5	9.8
Utilities	322.9	1.3	2.5	23.1	24.6	12.3	12.2	12.2
Consumer Discretionary	959.4	(1.2)	2.1	24.0	4.7	17.1	13.7	17.7
Consumer Staples	620.3	(1.0)	0.1	21.3	14.3	7.7	8.8	12.1
Health Care	1059.8	0.4	1.4	7.2	(0.1)	10.3	8.9	14.4
Information Technology	1426.3	(0.3)	2.4	32.5	11.4	23.5	18.1	17.2
Energy	451.9	1.7	7.3	9.5	(15.3)	(0.0)	(5.1)	3.4
Financials	470.0	0.5	5.6	20.6	1.1	15.8	10.3	10.7
Real Estate	243.6	1.2	0.7	29.3	23.3	10.8	11.3	14.1

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	1.9	0.0	0.1	1.7	2.3	1.5	0.9	0.5
2-Year Treasury (%)	1.7	0.0	(0.4)	2.7	4.1	1.3	1.1	1.1
10-Year Treasury (%)	1.8	0.2	(2.3)	9.8	14.5	1.8	3.4	4.1
Barclays US Corporate High Yield	6.2	0.2	0.7	11.8	6.9	6.6	5.2	8.1
Bloomberg Barclays US Aggregate	2.4	0.2	(1.1)	7.9	10.1	2.9	3.3	3.8
Bloomberg Barclays Municipals		(0.4)	(1.2)	6.4	8.3	3.1	3.7	4.2
Bloomberg Barclays IG Credit	3.0	0.4	(1.3)	12.4	12.8	4.6	4.6	5.6
Bloomberg Barclays EM Bonds	5.0	(0.0)	(0.0)	10.7	11.8	4.8	5.0	6.7

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	58.1	6.1	5.5	28.7	(18.2)	10.3	(8.9)	(2.1)
Gold ($/Troy Oz)	1500.7	(1.0)	(1.8)	17.3	24.7	4.5	4.2	4.0
Dow Jones-UBS Commodity Index	79.4	1.1	3.1	3.5	(4.8)	(1.7)	(7.8)	(4.6)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
U.S. Dollar Index	98.3	(0.0)	(0.7)	2.2	4.0	0.8	3.0	2.5
U.S. Dollar per Euro	1.1	0.2	0.4	(3.3)	(5.3)	(0.4)	(2.9)	(2.8)
U.S. Dollar per British Pounds	1.2	1.3	2.6	(1.9)	(5.0)	(1.5)	(5.2)	(2.6)
Japanese Yen per U.S. Dollar	108.0	0.1	1.8	(1.5)	(3.8)	2.0	(0.2)	1.7

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	526.8	0.1	3.2	17.9	3.6	11.2	6.9	8.9
MSCI EAFE	1913.7	0.5	4.0	14.5	0.9	7.9	3.4	5.4
MSCI Europe ex UK	1988.9	0.2	3.4	17.3	2.1	9.1	3.7	5.3
MSCI Japan	3257.0	1.0	5.1	12.5	(2.2)	7.6	6.1	5.8
MSCI EM	1016.6	(0.5)	3.4	7.8	1.5	7.1	2.0	3.8
MSCI Asia ex JP	626.2	(0.9)	3.0	7.3	(0.6)	7.2	4.0	5.9
MSCI LATAM	2693.6	(0.9)	3.6	7.6	11.4	8.4	(1.7)	0.1
Canada S&P/TSX Composite	12702.7	1.3	2.5	17.7	4.4	5.2	2.0	3.9

DISCLOSURES

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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 | Currencies investing are generally considered speculative because of the significant potential for investment loss. Their 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.

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

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DATA SOURCES

FactSet and Bloomberg.

DOMESTIC EQUITY DEFINITION

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.

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.

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.

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.

FIXED INCOME DEFINITION

AGGREGATE BOND | **Bloomberg Barclays 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 Barclays 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 Barclays 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 Barclays 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.

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.

BLOOMBERG BARCLAYS 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).

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. With 50 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

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.

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