

THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

The fall marathon season is underway, with runners having competed or planning to compete in one of the many marathons across the country, including Chicago, Baltimore, Detroit, Columbus and DC. One ‘run’ that has yet to be completed is the current equity bull marathon which is the second longest in our history (127 months), but the strongest from a total return perspective at this point of the cycle (+453% since its March 9, 2009 inception). Just as a marathon runner needs disciplined training and proper nutrition to be successful on race day, the equity market needs a positive economic outlook, attractive valuations, supportive corporate activity, and strong earnings growth to continue its run to new record highs. With 3Q earnings season set to ‘fuel’ the near-term headlines, we reflect on the results thus far and highlight some of our expectations moving forward.

Key Takeaways

Earnings Season Is Off to a Strong Start But Has Miles to Go

Financials & Health Care Surge to the Front of the Pack

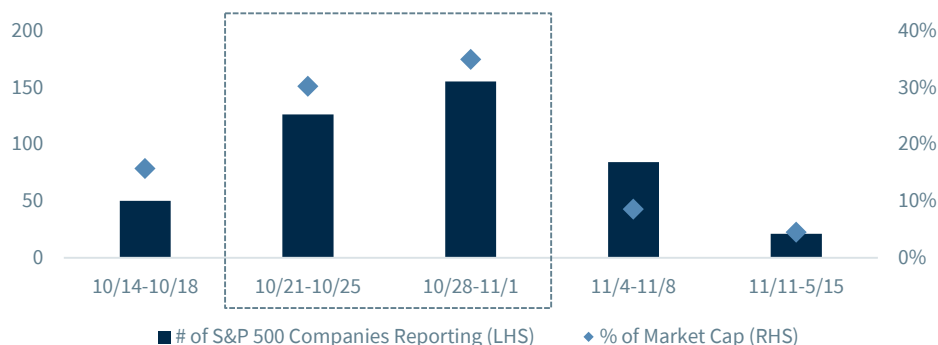
Info Tech Has & Will Continue to Set the Pace

- It's A Marathon, Not A Sprint** | This week, 50 companies, representing ~15% of the S&P 500 market capitalization, reported earnings. The results are off to a quick start—77% of companies beat bottom line estimates (well above the previous 20Q average of 73%) and 59% of companies beat top line estimates (in line with the previous 20Q average of 60%). But as any seasoned runner knows, an aggressive pace out of the gate may be difficult to maintain. As we cautioned last week, headline earnings were expected to decline 4% year-over-year (YoY) in 3Q19, and although earnings typically beat estimates by ~4%, it is likely to ‘come down to the wire’ on whether or not we can skirt negative earnings growth. The next two weeks should provide additional insights, as 284 companies representing ~66% of the market capitalization of the S&P 500 are set to report. Although the results will weigh heavily on individual stock performance in the near term, building confidence in our expectation of 6-7% S&P 500 earnings growth in 2020 would be a tailwind for a market ‘thirsty’ for accelerating fundamentals.
- Financials Come From Behind** | Most of the major financial services companies reported this week, and expectations were low given lower interest rates and the inverted yield curve likely ‘cramped’ net interest income. In fact, the 10-year/3-month subset of the yield curve was inverted for 84% of the quarter. While most companies beat their ‘low hurdle’ estimates, it is important to acknowledge earnings estimates for the sector were revised down 4.75% over the last three months. On a positive note, several financial institutions saw strength in their consumer-facing activities. With wage growth at 3.2% YoY and the unemployment rate at 50-year lows, several banks reported better than expected results for both home and auto loans. With our base case that the Federal Reserve will cut interest rates one additional time before year end and that the US consumer will remain strong, the Financial sector earnings should rebound.
- Health Care the Underdog** | The Health Care sector is the second worst performing sector year-to-date (YTD), and currently lags the broader market by ~14%. The reason for the drastic underperformance is the potential negative earnings growth consequences as a result of ‘Medicare for All’ (MFA) and other regulatory propositions such as drug price disclosures in advertisements. Senator Elizabeth Warren, currently the Democratic front-runner, is one of the main advocates of MFA. However, in Tuesday’s debate, it was clear that MFA is not widely accepted amongst the Democratic candidates. Former Vice President Joe Biden balked at the program’s \$30+ trillion cost, and Senator Amy Klobuchar referred to the system as a pipe dream. Due to the division, it is doubtful that MFA would be passed by Congress and the political risk associated with the Health Care sector is likely overblown. Health Care is one of only two sectors with earnings expectations revised higher over the last three months, and a few major sector constituents upped their forward guidance on their earnings calls this week. Attractive valuations, combined with solid earnings growth, support our current overweight to the sector.
- Info Tech Sets the Pace** | The Technology sector is the top performing sector YTD, outperforming the S&P 500 by ~13%. Despite its outperformance, there are growing concerns that the slowdown in global economic momentum and the US-China trade war could start to impact the sector’s earnings. Earnings expectations were revised lower by 1.46% in the preceding three months, but that is substantially less than the 3.87% downward revision for the broader market. Over the last ten quarters, the Technology sector has seen the second largest earnings beats at 6.8% and we expect similar success this quarter. Headline risk (e.g., anti-trust debate) could present an opportunity to add exposure, and we maintain our positive outlook on the sector as it has historically been the top performer in an ‘insurance’ rate cut environment.

CHART OF THE WEEK

It's A Marathon, Not A Sprint

While earnings season is off to a ‘quick start,’ 284 companies representing ~66% of the S&P 500 market capitalization are scheduled to report their earnings over the next two weeks.



* See Charts of the week on page 3.

ECONOMY

- Leading Economic Indicators declined for the second consecutive month in September, driven in part by weakness in manufacturing. While the headline index is only 0.3 off the all-time high (set in July), this will be worth monitoring as LEIs historically peak ~13 months prior to the next recession.*
- The Fed's Beige Book noted that "the U.S. economy expanded at a slight to modest pace" into early October. Manufacturing activity "continued to edge lower," while contacts in some Fed districts indicated that persistent trade tensions and slower global growth weighed on activity. Businesses generally expect slower growth (but still positive).
- Retail sales were weaker than expected (-0.3%) in the initial estimate for September. Core sales, which exclude autos, building materials, and gasoline (each of which declined), edged up 0.1% -- suggesting a loss of momentum at the end of the quarter. However, growth in retail sales throughout 3Q remained strong and was more than double the previous 15-year average.*
- **Focus of the Week:** Next week, home sales figures are expected to have been mixed in September, but the near-term trends are higher. Durable goods orders should reflect a decrease in aircraft orders in September, but should otherwise be mixed and lackluster. The University of Michigan Consumer Sentiment Index has been range-bound over the last several months, as tailwinds from the strength in the US labor market has buoyed the uncertainty surrounding global trade.

October 21 – October 25

MON

TUE

Existing Home Sales (Sep)

WED

THU

Durable Goods Orders (Sep)
New Home Sales (Sep)
Jobless Claims (10/19)

FRI

FUTURE EVENTS

Consumer Sentiment (Oct)

10/30 FOMC Policy Statement
10/30 Powell Press Briefing
11/1 ISM Manufacturing Index

US EQUITY

- The S&P 500 was able to bounce back above its 50-day moving average and within 1% of new highs, following the trade agreement with China last week. Technically, the market trend has been full of indecision, with the trade tone obviously being a significant influence. Currently, we are near the top of that price range with internal indicators approaching overbought levels.*
- Earnings are the main market influence now for the coming weeks. If companies come through with good earnings and their stocks react positively, the market likely prints a new high. If they disappoint, range-bound trading likely continues (2800-3000). There is no real reason to have meaningful upside or downside unless trade surprises to the upside or downside.*
- **Focus of the Week:** Q3 earnings season has begun in generally positive fashion, led by the Health Care, Industrials, and Financials sectors (three of the more out of favor areas this year). The average S&P 500 stock has gained 0.6% on results so far, while the sectors above have seen average price gains of 3.2%, 1.81%, and 1.5% respectively. For the S&P 500 as a whole, 15% of companies have reported Q3 results. 77% have beaten on the bottom line (vs. 73% over the past 20 quarters) for an earnings surprise of 2.9% (vs 4.9% over the past 20 quarters). Additionally, 59% have beaten on the top line for a sales surprise of 1.04%.

FIXED INCOME

- Brexit and China have fueled a roller coaster with hopes of deals that never seem to happen. Despite the recent weakness in Treasuries as sovereign bond yields have risen, the 10-year Treasury remains up over 10% year-to-date (YTD). We do not forecast a material rise in sovereign yields from current levels, and expect the recent bearish tone to back off (halting the rise in yields) especially as we approach this month's Fed meeting as the market is pricing in a ~90% probability of a rate cut.
- **Focus of the Week:** Similar to equities, high yield has performed well over the past week as the trade agreement with China and Brexit deal boosted risk assets. This positive momentum continued the strong performance of 2019, as high yield is up ~12% YTD, which would mark the fourth consecutive year of positive performance. Going forward, we continue to favor investment grade over high yield in the credit space, as increased issuance and tighter spreads will likely weigh on high yield.*

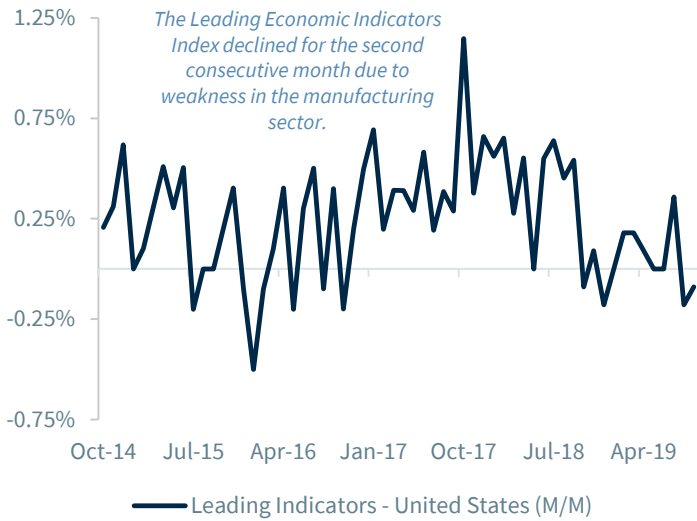
INTERNATIONAL & POLITICAL

- A second Brexit deal has been struck between the UK and the continuing European Union and the hope is that this will pass a special Saturday session of the former's Parliament (the first since the early 1980s). As this is Brexit, the pathway to achieving this is filled with challenges, including the stated disapproval of the Democratic Unionist Party, the Northern Irish political party that holds some important voting sway to help the UK government get its proposed legislation through. If this deal is not passed on Saturday, the combination of a further Brexit extension (beyond October 31) and a late November General Election is likely to be suggested. The British pound has gathered some additional investor support in recent weeks in anticipation of an eventual compromise passing of a 'soft Brexit' as the currency is now trading at the highest level (1.28) in six months.*
- On the ongoing China trade negotiations, progress toward an interim deal has served as a near-term positive that avoids an October tariff hike to 30% on \$250B Chinese goods, but the next steps present difficulties for concluding the 'phase one' agreement. The text will have to be formalized over the next several weeks ahead of a potential signing ceremony between Trump and Xi at the APEC Summit in Chile on November 14-15. Issues have historically popped up in the text negotiating phase that have derailed progress, and we cannot fully discount that possibility in the weeks ahead. We will also be watching for movement on potential capital markets restrictions for Chinese firms, which could see some action around the end of October.
- **Focus of the week:** Support from Congressional Republicans has generally remained strongly against the impeachment proceedings, but President Trump has faced bipartisan backlash against a decision related to the US pulling back support for the Kurds in Northern Syria. The resumption of work in DC has led to votes to rebuke President Trump's Syria decision and continued impeachment inquiry activities. These will be areas to watch and will be used to gauge the temperature of the full House and Senate Republican Caucus as it relates to support for the president. The events of the past several weeks have made it all but certain that the House will proceed with passing articles of impeachment by the end of the year. The Senate is still unlikely to convict and remove the president from office, but there is an increase in conversations in DC on whether the president will finish his term/run for reelection. We continue to believe this is a low probability, but the odds are growing.

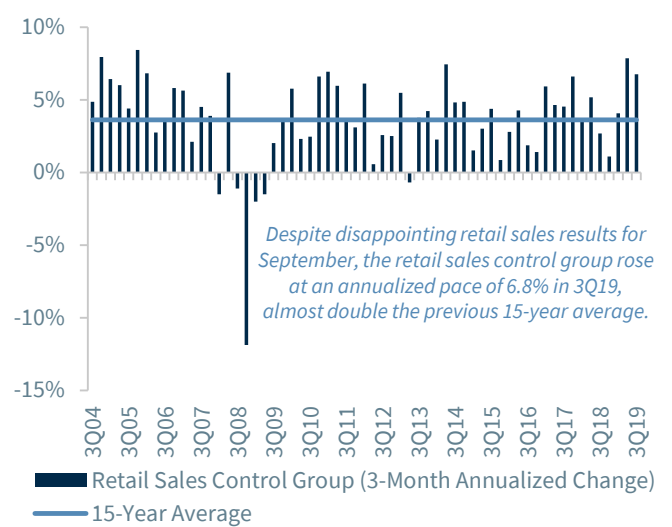
* See Charts of the week on page 3.

Charts of the Week

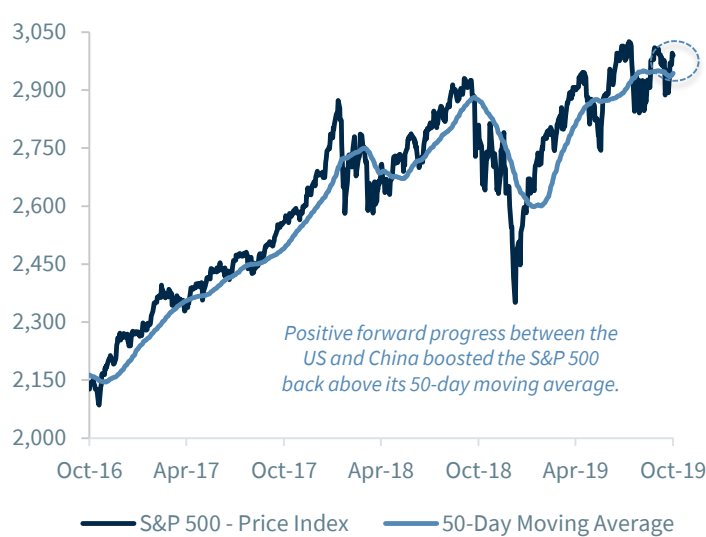
Leading Economic Indicators Index Declines



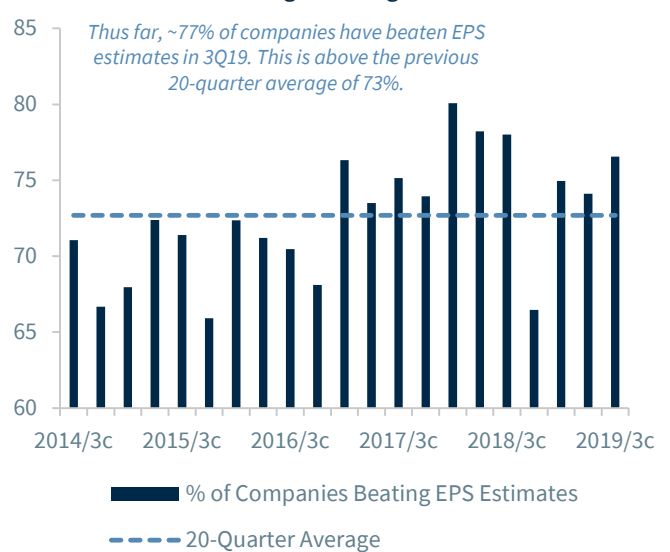
Retail Sales Control Group Rising At Record Pace



S&P 500 Rallies on Trade Truce News



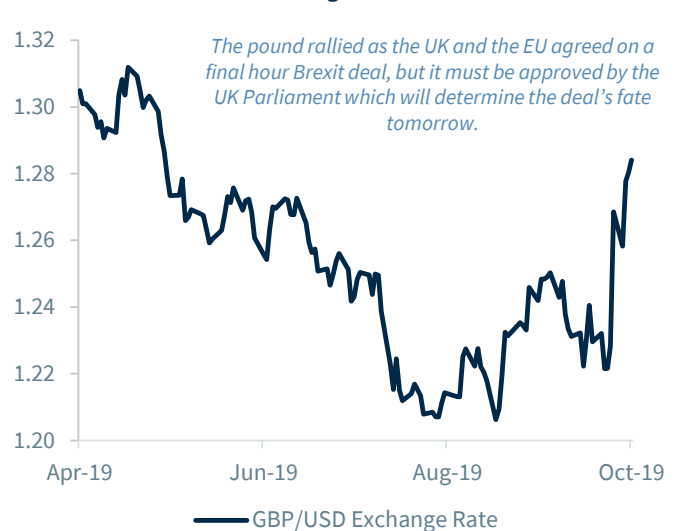
Earnings Beating Estimates



High Yield Spreads Narrow



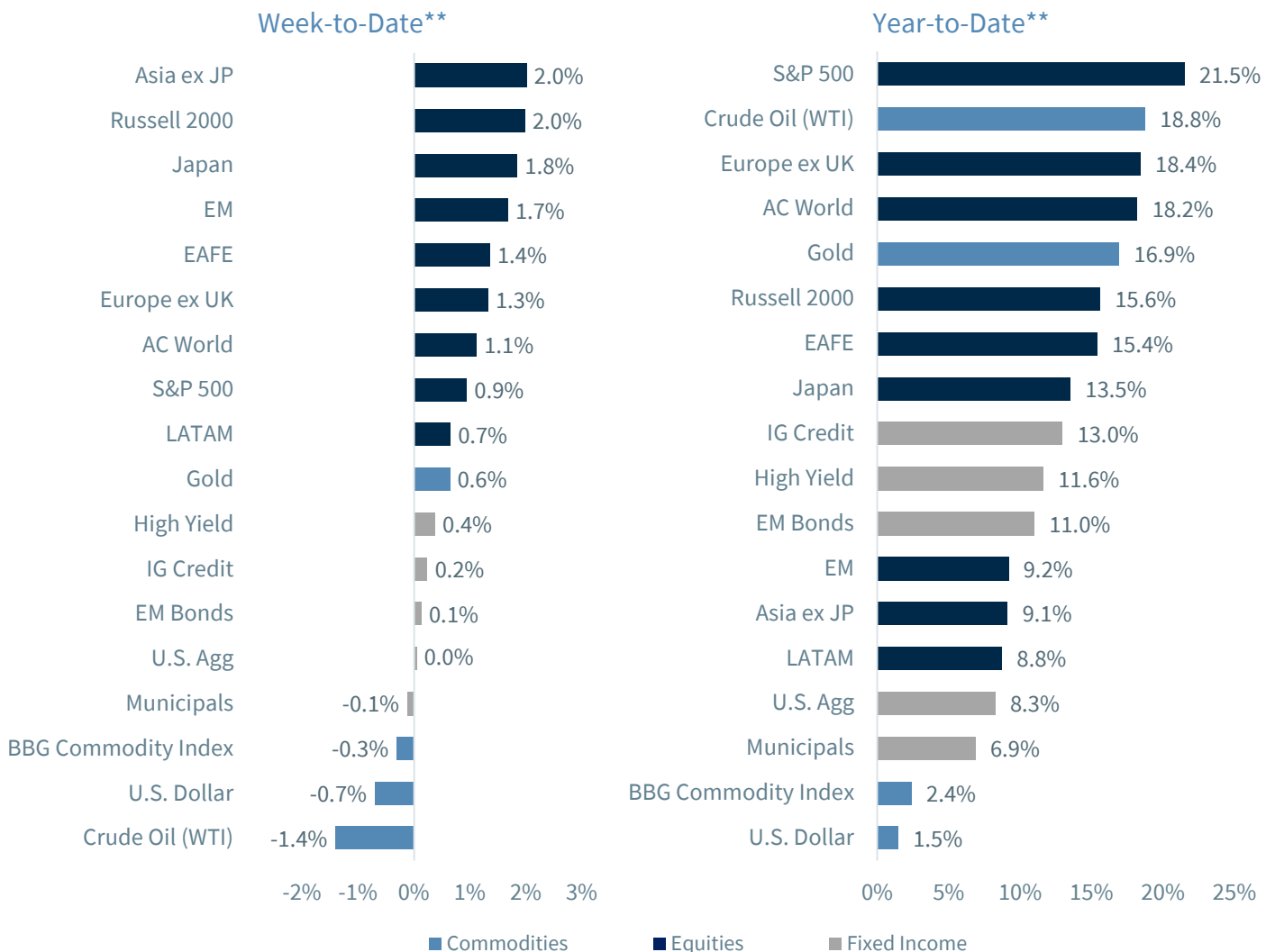
Pound Moves Higher Due to Brexit Deal



Asset Class Performance | Distribution by Asset Class and Style (as of October 17)

	U.S. Equities (S&P indices)			International Equities (MSCI indices)			Fixed Income (Bloomberg Barclays indices)		
	Value	Blend	Growth	Dev. Mkt	World	Emerg. Mkt	1-3 YR	Medium	Long
Weekly Returns (as of October 17)									
Large Cap	1.0%	0.9%	0.9%	0.6%	0.9%	1.6%	0.0%	0.0%	0.0%
Mid Cap	1.2%	1.2%	1.1%	1.2%	1.0%	1.8%	0.1%	0.2%	0.3%
Small Cap	2.0%	2.1%	2.2%	1.1%	1.3%	1.4%	0.2%	0.4%	0.5%
Year-to-Date Returns (as of October 17)									
Large Cap	21.0%	21.5%	22.0%	16.4%	18.6%	11.0%	2.0%	6.0%	10.1%
Mid Cap	17.3%	18.1%	18.9%	17.8%	19.0%	7.2%	4.4%	9.1%	12.6%
Small Cap	15.8%	14.4%	13.2%	16.9%	16.3%	5.9%	6.3%	11.3%	18.8%

Asset Class Performance | Weekly and Year-to-Date (as of October 17)



**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 October 17

U.S. Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	2998.0	2.1	0.8	21.5	8.9	14.4	10.8	15.8
DJ Industrial Average	27025.9	2.0	0.4	15.9	5.1	19.3	12.6	16.1
NASDAQ Composite Index	8156.9	2.6	2.0	22.9	6.7	19.9	13.1	19.0
Russell 1000	3182.1	2.0	0.8	21.5	3.9	13.2	10.6	13.2
Russell 2000	3831.9	3.8	1.3	15.6	(8.9)	8.2	8.2	11.2
Russell Midcap	5738.6	2.1	0.1	22.0	3.2	10.7	9.1	13.1

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	361.0	2.3	(1.0)	15.9	8.9	9.7	6.5	8.7
Industrials	654.1	3.0	(0.1)	22.5	6.1	12.1	10.4	13.2
Comm Services	172.0	3.3	3.1	25.5	12.0	5.0	6.4	10.2
Utilities	322.8	(0.9)	(1.7)	23.2	22.5	13.7	12.0	12.2
Consumer Discretionary	961.9	2.8	1.6	24.4	11.5	17.3	15.3	17.5
Consumer Staples	622.3	(0.3)	(1.0)	22.1	16.5	8.3	9.3	11.8
Health Care	1065.2	3.3	2.2	7.9	0.3	11.8	10.4	14.3
Information Technology	1432.9	1.6	1.4	33.3	16.1	23.5	20.0	17.0
Energy	423.0	0.3	(3.2)	2.6	(18.3)	(3.2)	(4.1)	2.1
Financials	465.4	2.6	0.1	19.7	6.3	15.4	11.4	10.6
Real Estate	244.6	0.5	0.5	30.3	29.8	12.0	11.0	14.9

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	1.7	0.0	0.1	1.9	2.3	1.5	1.0	0.5
2-Year Treasury (%)	1.6	(0.1)	0.1	3.0	4.3	1.4	1.1	1.1
10-Year Treasury (%)	1.8	(0.8)	(0.6)	10.1	15.4	2.0	2.7	4.0
Barclays US Corporate High Yield	6.3	0.6	0.2	11.6	7.3	5.9	5.4	7.8
Bloomberg Barclays US Aggregate	2.3	(0.3)	(0.2)	8.3	10.8	3.0	3.0	3.7
Bloomberg Barclays Municipals		(0.4)	0.1	6.9	9.4	3.6	3.4	4.4
Bloomberg Barclays IG Credit	3.0	(0.1)	(0.2)	13.0	13.8	4.6	4.3	5.6
Bloomberg Barclays EM Bonds	5.0	0.0	0.2	11.0	11.4	4.6	5.0	6.4

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude (\$/bl)	53.9	(1.6)	(0.4)	19.4	(22.6)	2.6	(8.2)	(3.7)
Gold (\$/Troy Oz)	1492.7	(0.1)	0.5	16.7	21.4	6.0	3.9	3.6
Dow Jones-UBS Commodity Index	78.6	0.8	1.0	2.4	(9.4)	(3.1)	(7.7)	(5.2)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
U.S. Dollar Index	97.6	(1.1)	(1.8)	1.5	2.1	(0.1)	2.8	2.6
U.S. Dollar per Euro	1.1	0.9	2.0	(2.8)	(3.6)	0.4	(2.7)	(2.9)
U.S. Dollar per British Pounds	1.3	4.5	4.2	0.8	(2.2)	1.9	(4.4)	(2.4)
Japanese Yen per U.S. Dollar	108.7	0.6	0.5	(1.0)	(3.1)	1.5	0.4	1.8

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	526.9	2.5	1.3	18.2	8.1	11.5	8.5	8.7
MSCI EAFE	1922.3	3.2	1.8	15.4	6.7	8.6	5.4	5.4
MSCI Europe ex UK	2006.9	3.2	2.1	18.4	9.4	10.0	5.9	5.3
MSCI Japan	3255.5	2.2	1.8	13.5	1.7	7.4	8.3	6.2
MSCI EM	1028.4	3.2	2.8	9.2	7.7	7.7	3.9	3.4
MSCI Asia ex JP	636.0	3.6	3.0	9.1	9.0	8.3	5.7	5.8
MSCI LATAM	2720.2	2.4	2.0	8.8	1.8	5.8	0.0	(0.9)
Canada S&P/TSX Composite	12502.4	0.0	(1.4)	14.7	5.8	4.0	2.9	3.6

DISCLOSURES

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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 | 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, generally 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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