THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Key Takeaways

The Fed Is 'On Deck' & Investors 'Cheer' For A Rate Cut

'Change-Up' in US-China Trade Negotiation Tactics

Next Week Is The 'Major Leagues' for Economic Data

The 115th World Series began this week, the culmination of a 162-game regular season. While this season is long relative to other sports, the Investment Strategy season never ends. We are constantly evaluating economic and market data and ensuring that our forecasts, strategies, and outlooks are prepared for 'primetime.' From a strategy perspective, we have had several 'homeruns' this year such as our call on technology (33.7% Year-To-Date (YTD)), but we have also been thrown some 'curveballs' in regards to trade and geopolitical risks. While our role is surely relatable to "America's pastime," so too is the current state of the economy and financial markets.

The Fed Is On Deck | Investors are hoping that the Federal Reserve will 'step up to the plate' and cut interest rates at the October Federal Open Market Committee (FOMC) Meeting next week. The financial markets are currently pricing in a 96% probability of a a cut at the meeting, and a 28% probability of two or more rate cuts before year end. To us, the number of rate cuts is less important than the ultimate result. Our base case is that the Fed has enough 'firepower' to implement additional 'insurance' rate cuts to extend the current record economic expansion (127 months) for the foreseeable future. Our confidence in the Fed's ability to 'swing for the fences' and extend the economy's record run is the primary reason we have an optimistic outlook for US equities, which is reflected in our 12-month S&P 500 target of 3,127.

Playing Trade Hardball? | President Trump's language regarding trade agreement 'phases' seemed to come 'out of left field' given his traditional 'all or nothing' and 'deal or no deal' rhetoric. The sudden 'change-up' in negotiating tactics is likely due to economic growth concerns and the impeachment inquiry, both of which are negatively impacting his poll numbers and may hamper his reelection prospects. President Xi is facing his own pressures, as China's 6.0% 3Q GDP growth marked the lowest quarterly economic growth rate since their records began in 1992. Any negotiations that lead to a truce or indefinite postponement of the tariffs could put both countries in the 'win column,' with the US consumer proving to be the biggest 'fan.' Recent signs of progress from both sides suggest that President Trump and President Xi want to 'play ball' and have a formal signing of a Phase One deal at the November 14-15 APEC Summit in Chile—a positive for global equity markets.

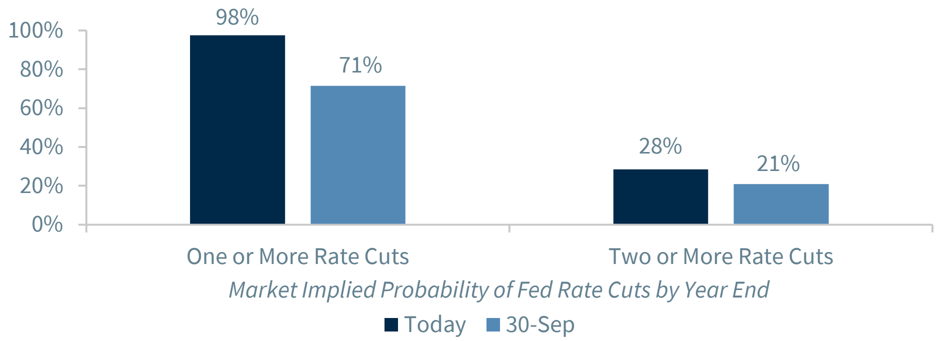
Earnings Not Batting A Thousand | Earnings season is far from over, as only 170 companies (~31% of the S&P 500 market cap) have reported. On a positive note, ~78% of companies are beating estimates on the bottom line (relative to the previous 20Q average of 73%), and ~65% of companies are beating estimates on the top line (relative to the previous 20Q average of 60%). However, the average company is 'beating' estimates by only 2.6%, which is certainly not a 'grand slam' compared to the previous 20Q average of 4.9%.* At this time, S&P 500 earnings are projected to decline 4.0% year-over-year (YoY) and need a huge 'rally' to avoid the first negative quarter since 2Q16. A comeback is growing less likely, and many of the big 'sluggers' reporting next week (Apple, Alphabet, Facebook, Berkshire & Exxon) will need to hit 'homeruns' for there to be a chance.

A Whole Different Ball Game | Next week is the 'major leagues' of economic data, as we receive reports on 3Q19 GDP, non-farm payrolls, wage growth and the ISM manufacturing index. As for the preliminary reading of 3Q19 GDP, personal consumption will likely remain the 'Most Valuable Player' of the US economy. Personal consumption is likely to maintain its 'streak' and grow for the thirty-ninth consecutive quarter.* Last month, the equity markets reacted quite strongly to the ISM manufacturing Index declining to 47.8, the lowest level since 2009. In fact, the S&P 500 declined 3.0% in the first two days following the manufacturing data point falling deeper into contraction. However, the early signs are that the ISM Manufacturing Index may rebound slightly as several regional manufacturing indices have recently posted improvements. Regardless, while important, this data point is less important than in the past as manufacturing only represents ~11% of the US economy. Turning to the employment report, job growth is expected to understandably slow. Over the last ten years, average job gains per month have been 179,000.* However, in order to maintain the 50-year low unemployment rate of 3.5%, our chief economist, Scott Brown, believes the economy needs to add only ~70,000 jobs per month. To be safe, job creation in the 70,000 to 110,000 'ballpark' would be reassuring to keep the unemployment rate at or near 3.5% and wage growth at ~3.0%. Given these supportive trends, we maintain our expectations of relatively robust economic growth with a low probability of recession. Our forecasts for 2019 and 2020 GDP growth are 2.2% and 1.7%, respectively.

CHART OF THE WEEK

The Fed Is On Deck

Investors are expecting that the Federal Reserve will 'step up to the plate' and deliver at least one additional 'insurance' rate cut before year end.



*See Charts of the week on page 3.

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ECONOMY

- Durable goods orders fell 1.1% in the initial estimate for September, reflecting the General Motors (GM) strike and ongoing problems at Boeing. Ex-transportation, orders slipped 0.3%. Orders for nondefense capital goods ex-aircraft fell 0.5%, with shipments down 0.7%, consistent with further weakness in business fixed investment in the near term.
- Real GDP is expected to have risen at about a 1.6-1.8% annual rate in the advance estimate for 3Q19, reflecting moderate strength in consumer spending and continued weakness in business fixed investment. September personal income and spending data are likely to reflect some loss of momentum in consumer spending at the end of the quarter, but remained strong throughout.
- The GM strike will subtract about 45,000 from the September increase in nonfarm payrolls and there may still be some noise related to the school year, but the underlying trend in job growth is likely to have slowed further in October. The unemployment rate, 3.5% in September, is expected to be flat or slightly higher. The ISM Manufacturing Index is expected to remain below the breakeven level (50) in October, reflecting a moderate contraction in the factory sector.
- **Focus of the Week:** Financial markets have mostly factored in another rate cut, and it would be unusual for the FOMC to counter market expectations. The FOMC is likely to signal that it expects to be done for a while – that is, this year's rate cuts have been a mid-cycle adjustment meant to insure against downside risks in 2020 (and not seen as part of a long easing campaign).

October 28 – November 1

MON
Adv. Economic Indicators (Sep)
Chicago Fed National Act (Sep)

TUE
Pending Home Sales (Sep)
Consumer Confidence (Oct)

WED
FOMC Policy Statement
Powell Press Briefing
Real GDP

THU
Empl. Cost Index (3Q19)
Chicago Bus. Barometer (Oct)

FRI
Employment Report
ISM Manufacturing Survey

FUTURE EVENTS
11/3 Daylight Saving Time Ends
11/5 ISM Non-Manufacturing Survey
11/5 JOLTS (Sep)

US EQUITY

- The S&P 500 continues to consolidate just under new highs. For the market to set new highs, beaten up areas of Financials, Industrials, and Consumer Discretionary sectors would have to regain momentum. However, if these sectors fail to do so, they will likely be a drag for the overall market, and the S&P 500 will likely stay range-bound between 2800 and 3000.
- About 31% of S&P 500 market capitalization has reported results so far, with 78% of companies beating bottom line estimates and 65% beating on the top line, resulting in an average price reaction of 0.9% on their report.* The best reactions to earnings so far have come from Health Care, which had experienced the least multiple expansion in 2019 due to headwinds surrounding 'Medicare for All' and drug price scrutiny.
- S&P 500 companies with over 50% of their revenues from the US have reported sales and earnings growth of 4.8% and 0.8% respectively, which compares favorably to companies with over 50% of their revenues from overseas reporting sales and earnings growth of 3.2% and -4.2% respectively. Full quarter earnings growth is still estimated at -4.0%, but should start trending higher.
- **Focus of the week:** Overall, we continue to expect a generally positive market tone, but suggest patient accumulation given overbought conditions in the short term, key earnings reports in the coming weeks, and guarded optimism on trade until an agreement is signed in mid-November (given numerous setbacks over past year). Therefore, patience is the best strategy in our view. We would be selective through earnings season and buy areas as they pull back and hold support.

FIXED INCOME

- As long-term rates have trended higher recently on optimism for a US/China trade deal, and shorter-term rates have been tamped down by the injection of liquidity by the Fed to stabilize the short-term funding market, the US yield curve has steepened to the highest level in three months.* With long-term rates trading at the upper end of their trading range, this has created a short-term opportunity to buy the dip as the trend for yields remains to the downside given continued easing by global central banks.
- **Focus of the Week:** Bloomberg's Current Implied Probability indicates over a 90% chance that the Fed will cut interest rates 25 bps on October 30. Next week's economic data releases have the potential to paint a clearer economic picture to set the tone for the remainder of the year although US/China trade negotiations and Brexit will continue to influence investor sentiment.

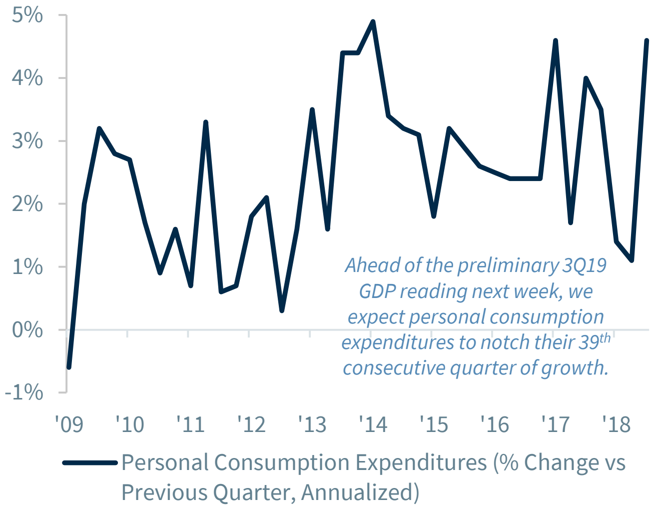
INTERNATIONAL & POLITICAL

- The latest Withdrawal Agreement Bill about Brexit was once again rejected, as UK politicians continue to disagree about both the timings and the specifics around it. The imminent October 31 deadline looks set to be extended (as the original end of March deadline was) to the end of January 2020, reducing the chances of a 'no-deal' and opening up the possibility of a December general election. British Prime Minister Boris Johnson is favored to win the election, and the end result would be helpful in getting his Brexit agreement with the European Union eventually ratified by parliament. This end result remains the biggest potential source of upside for UK assets, which have rallied in recent weeks in anticipation that a Brexit deal was becoming more likely.
- Trade negotiations will remain on track despite fears that Pence's remarks may harm the US/China relationship. Hong Kong will be an issue to watch as Pence's remarks indicate the administration is feeling domestic political pressure to step up its support for protestors. Congress is looking to apply significant pressure on China in order to demonstrate support for Hong Kong, which could put the Trump administration in the politically difficult situation of rebuking Congress in order to not endanger trade talks.
- Closed-door Congressional impeachment investigations are expected to wrap up and begin the more public-facing phase around mid-November. The latest Quinnipiac University poll saw approval for the impeachment inquiry at its highest level of 55%. If Republicans begin to feel that their chances of re-election are threatened by the president with impeachment as an overhang, the divide will widen. This is particularly key for the Senate where Republicans will be in tight races to maintain the Senate majority.
- OPEC chatter about yet another extension of the group's production cuts, combined with a fall in US petroleum inventories, spurred only a modest uplift in oil prices.* So, what needs to happen to push oil prices above their recent trading range in a meaningful way? First, clarity on the US/China trade situation. At this point, even a partial – but sustainable – trade agreement between Washington and Beijing would probably be enough to change oil market sentiment. Second, clarity on Brexit. Based on UK parliamentary votes this past week, it does not appear that final Brexit decisions will be made until 2020.

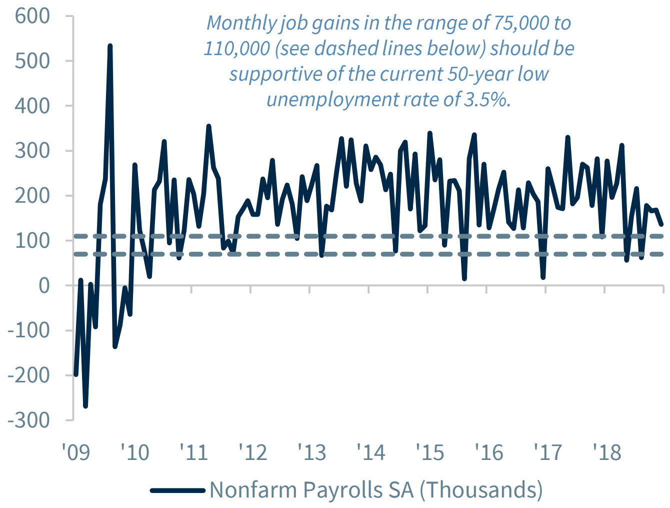
*See Charts of the week on page 3.

Charts of the Week

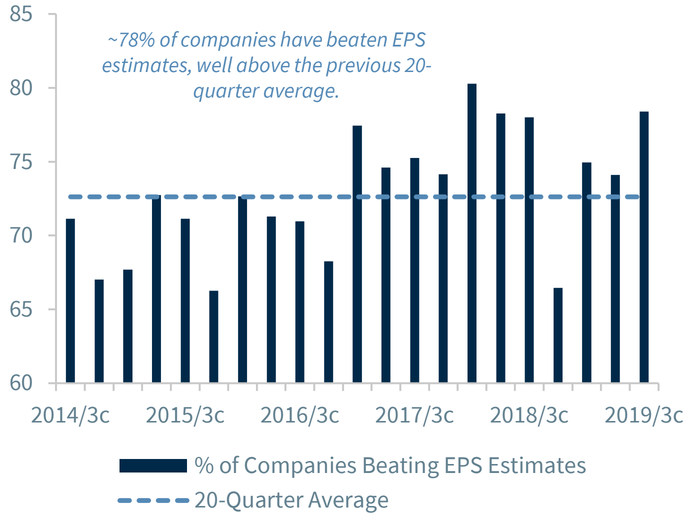
Streak of Positive Personal Consumption



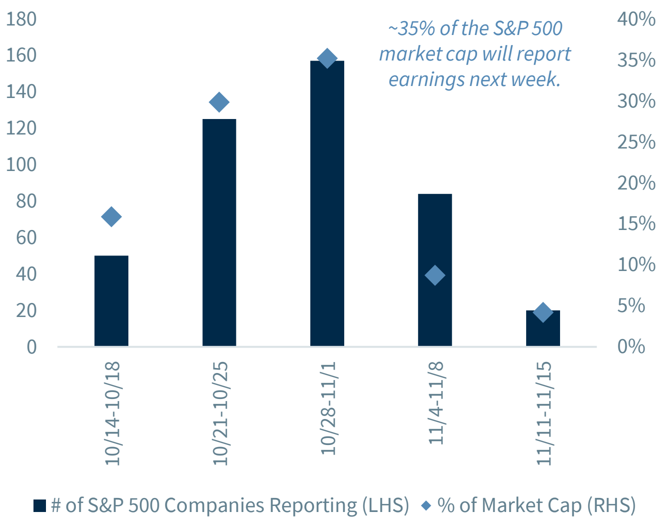
Job Gains Supportive of Unemployment Rate



Earnings Beats Remain Strong

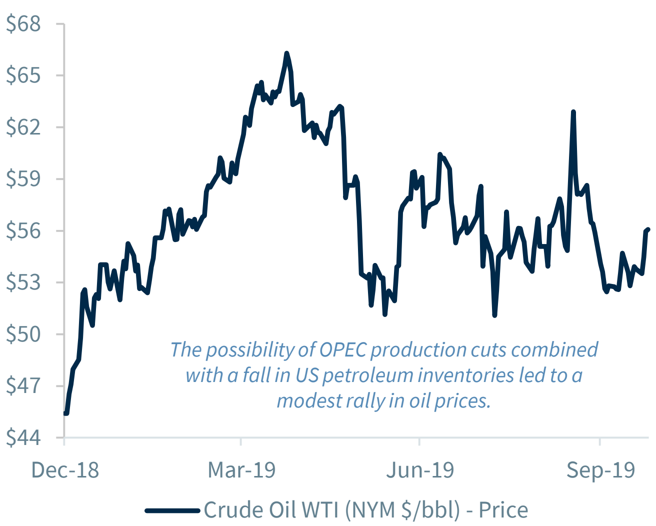


Busiest Week for 3Q19 Earnings



US Yield Curve Is Steepening

Oil Rallies on Decline in US Stockpiles



Asset Class Performance | Distribution by Asset Class and Style (as of October 24)

Weekly Returns (as of October 24)

US Equities (S&P indices)

	Value	Blend	Growth
Large Cap	1.2%	0.8%	0.5%
Mid Cap	1.1%	0.7%	0.3%
Small Cap	1.7%	1.2%	0.6%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	1.4%	1.0%	0.9%
Mid Cap	1.1%	1.0%	0.9%
Small Cap	0.9%	0.8%	0.7%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	-0.1%	-0.1%
Invest. Grade	0.0%	0.1%	0.1%
High Yield	0.1%	0.2%	0.2%

Year-to-Date Returns (as of October 24)

US Equities (S&P indices)

	Value	Blend	Growth
Large Cap	22.5%	22.0%	21.7%
Mid Cap	18.6%	18.8%	19.0%
Small Cap	17.3%	15.2%	13.2%

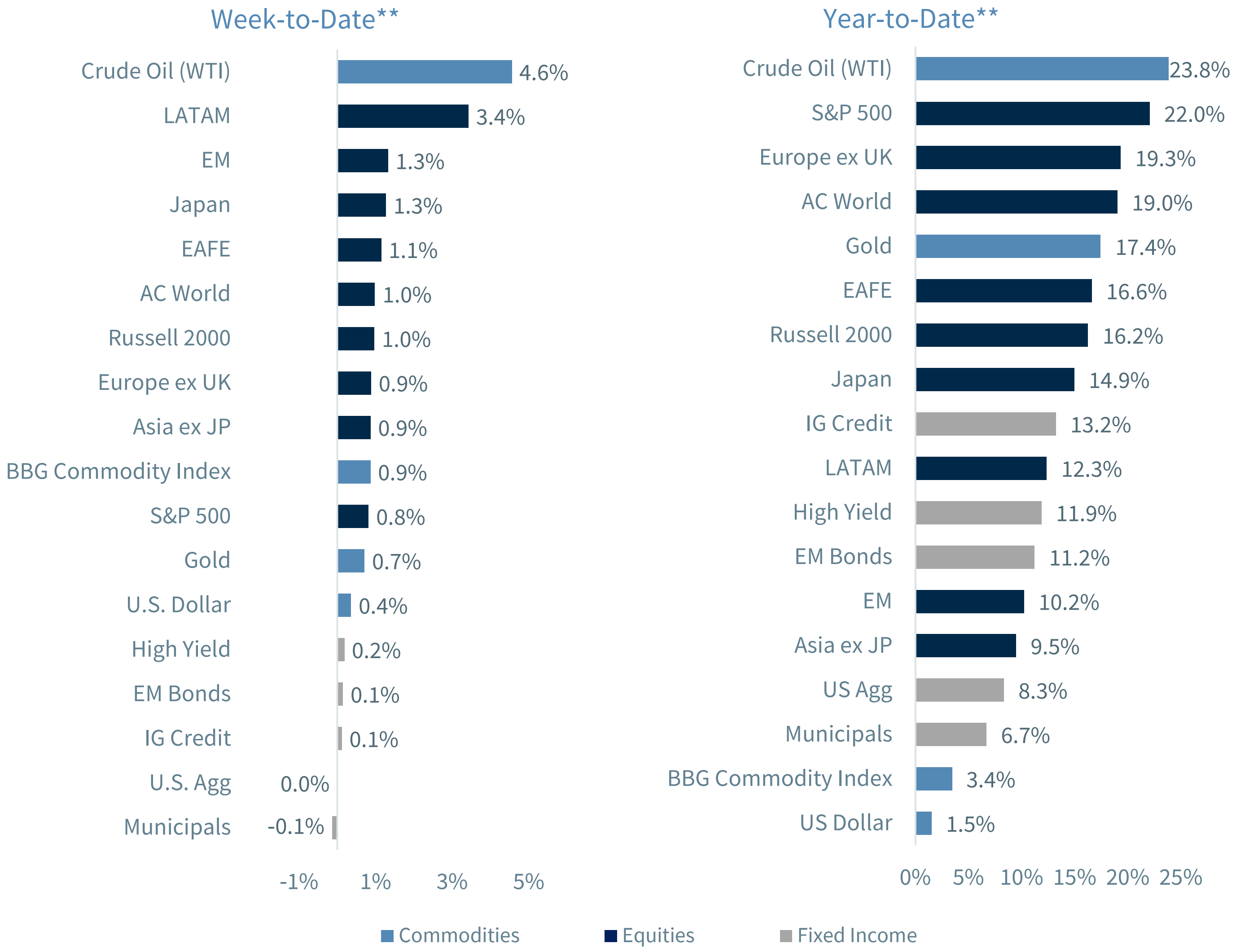
International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	17.7%	19.2%	11.4%
Mid Cap	18.7%	19.9%	8.0%
Small Cap	17.7%	16.9%	6.9%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	2.0%	6.0%	10.1%
Invest. Grade	4.4%	9.3%	12.9%
High Yield	6.4%	11.5%	19.0%

Asset Class Performance | Weekly and Year-to-Date (as of October 24)



**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 October 24

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	3010.3	0.4	1.2	22.0	15.7	14.1	10.8	15.8
DJ Industrial Average	26805.5	(0.8)	(0.4)	14.9	9.0	19.3	12.6	16.1
NASDAQ Composite Index	8185.8	0.4	2.3	23.4	15.2	19.9	13.1	19.0
Russell 1000	3195.4	0.4	1.2	22.0	3.9	13.2	10.6	13.2
Russell 2000	3852.6	0.5	1.8	16.2	(8.9)	8.2	8.2	11.2
Russell Midcap	5782.6	0.8	0.8	23.0	3.2	10.7	9.1	13.1

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	361.6	0.2	(0.8)	16.1	17.1	9.1	5.8	8.9
Industrials	658.2	0.7	0.6	23.3	15.3	12.3	9.6	13.4
Comm Services	169.5	(1.5)	1.6	23.7	17.5	6.2	5.9	10.1
Utilities	329.1	2.0	0.2	25.6	21.6	14.3	11.7	12.5
Consumer Discretionary	952.8	(0.9)	0.6	23.2	17.3	16.0	14.3	17.4
Consumer Staples	630.4	1.3	0.3	23.7	15.3	8.5	8.9	12.1
Health Care	1063.0	(0.2)	2.0	7.7	7.1	11.7	8.9	14.4
Information Technology	1438.0	0.4	1.8	33.7	23.9	22.8	19.0	16.9
Energy	435.5	3.0	(0.3)	5.7	(8.0)	(2.5)	(4.2)	2.5
Financials	473.3	1.7	1.8	21.7	15.8	15.3	11.0	10.9
Real Estate	247.5	1.2	1.7	31.9	29.5	12.2	10.6	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	0.0	0.1	3.0	4.2	1.4	1.1	1.1
10-Year Treasury (%)	1.8	(0.1)	(0.7)	10.1	14.8	2.0	2.8	4.0
Barclays US Corporate High Yield	6.3	0.2	0.4	11.9	8.1	5.8	5.2	7.8
Bloomberg Barclays US Aggregate	2.3	0.0	(0.2)	8.3	10.7	3.0	3.1	3.7
Bloomberg Barclays Municipals		(0.2)	(0.0)	6.7	9.0	3.5	3.5	4.3
Bloomberg Barclays IG Credit	2.9	0.2	0.0	13.2	14.1	4.6	4.4	5.6
Bloomberg Barclays EM Bonds	5.0	0.2	0.4	11.2	12.1	4.5	5.0	6.5

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	56.3	4.7	4.0	24.6	(15.5)	3.9	(7.0)	(3.5)
Gold ($/Troy Oz)	1496.6	0.3	0.8	17.0	21.6	5.7	4.0	3.5
Dow Jones-UBS Commodity Index	79.3	1.0	2.0	3.4	(6.4)	(2.7)	(7.4)	(5.3)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	97.6	0.0	(1.8)	1.5	1.2	(0.4)	2.6	2.6
US Dollar per Euro	1.1	(0.1)	1.9	(2.9)	(2.6)	0.7	(2.6)	(3.0)
US Dollar per British Pounds	1.3	0.1	4.3	0.9	(0.5)	1.7	(4.4)	(2.4)
Japanese Yen per US Dollar	108.5	(0.1)	0.4	(1.1)	(3.6)	1.3	0.1	1.7

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	530.4	0.7	2.0	19.0	14.1	11.3	8.0	8.8
MSCI EAFE	1941.9	1.0	2.9	16.6	11.9	8.6	5.1	5.4
MSCI Europe ex UK	2021.6	0.7	2.8	19.3	15.1	9.8	5.6	5.3
MSCI Japan	3295.7	1.2	3.1	14.9	7.3	7.6	7.7	6.4
MSCI EM	1037.4	0.9	3.8	10.2	12.1	7.1	3.9	3.5
MSCI Asia ex JP	638.0	0.3	3.3	9.5	12.0	7.6	5.4	5.8
MSCI LATAM	2802.9	3.3	5.4	12.3	10.4	5.6	1.4	(0.5)
Canada S&P/TSX Composite	12510.9	(0.3)	(1.7)	14.3	9.8	3.1	2.4	3.7

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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