September 27, 2019

THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Key Takeaways

Hopeful the US & Major Trading Partners Will 'Come Together'

Here Comes Seasonality to Help Equity Market Be 'All Right'

US Consumer to 'Move' the US Economic Expansion Further

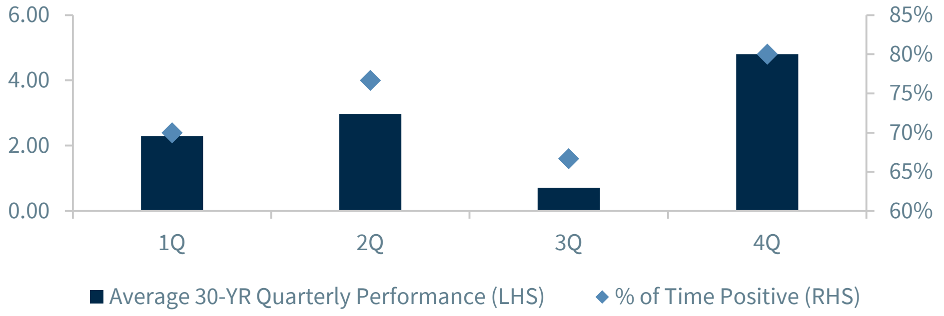
Yesterday marked the fiftieth anniversary of the release of 'Abbey Road,' The Beatles' eleventh studio album. Although it was not their final album, it did contain the last recording sessions in which all four members participated. 'Abbey Road' rocked the charts, surging to the coveted '#1 spot' in both the UK and US. From the record-setting songs to the iconic cover art, 'Abbey Road' has me feeling nostalgic, but of course, I couldn't help but notice several correlations to the economy and financial markets too.

- **Album Artwork |** For the first time on a Beatles' album, the cover design contained neither the title nor the group's name. It was simply the 'Fab Four'—John Lennon, Paul McCartney, George Harrison, and Ringo Starr—striding along a zebra crossing on Abbey Road, just outside their London recording studio. The synchronized walk quickly became one of the most iconic album covers, and to this day, fans flock to the block just to follow in the band's footsteps. Today there is another historic synchronized movement taking place as central banks across the globe adopt a more accommodative stance amid slowing economic momentum, heightened recessionary fears, and trade tensions. The Federal Reserve (Fed), European Central Bank, the Reserve Bank of India, and the People's Bank of China, among others, have each cut interest rates this year. We anticipate that weak global growth and muted inflation will lead to more cuts, led by the Fed taking at least one more insurance cut (likely in December) by year end.
- **Something in the Way the US Moves |** We believe the US economy will continue to expand and be a pillar of strength for the global economy. The reason - the ongoing strength of the US consumer and its ability to drive growth going forward. In the second quarter, personal consumption was strong and posted its highest contribution to gross domestic product (GDP) in five years. US consumer spending currently accounts for ~70% of US GDP and ~15% of global GDP (roughly in line with the size of China!). With the holiday shopping season approaching, we expect that the US consumer will 'move' the economic expansion further.* According to the National Retail Federation, consumers spent a record $701 billion during the 2018 holiday season. Healthy confidence, solid job creation, and increasing wages should propel holiday shopping to another record high this year.
- **Impeachment Road |** On Tuesday, Speaker Pelosi announced a formal impeachment inquiry against President Trump, accusing him of jeopardizing the integrity of US elections during his phone conversation with Ukrainian President Volodymyr Zelensky. This will intensify the ongoing investigations by the various House committees that could eventually lead to a vote on the articles of impeachment. If approved by a simple House majority, a public trial will be held on the Senate floor, presided over by Chief Justice Roberts. A final conviction must be supported by two thirds of the Senate, in which the Republicans currently hold a narrow majority (53 seats versus 47 seats). The market is currently pricing in a 61% probability that the House will pass impeachment articles against the president, a 18% probability that the Senate will convict and an 74% probability that he will complete his first term.* The relatively low probability of the president being removed from office is the reason we have not seen a major disruption and downside volatility in the equity markets.
- **Come Together |** One of the most notable uncertainties causing incessant volatility for the equity market has been the ongoing trade tensions between the US and its major trading partners, namely China, Japan, Mexico, Canada, and the European Union. Fortunately for investors, President Trump and Japan's Prime Minister Abe were able to 'come together' this week, and agree on a limited trade pact, and the agreement opened markets to ~$7 billion in US agricultural products and ~$40 billion of digital trade. With the October 15 tariffs approaching, the US and China continued mid-level talks, some of which resulted in an expanding list of exempted products for both countries. If the high-level negotiations set to take place on October 10 were to yield some indication of both sides 'coming together,' equity markets would cheer the progress.
- **Here Comes the Sun |** As the end of what is historically the worst quarter of the year for the S&P 500 approaches, there is a 'sun on the horizon' for equities. Positive seasonality should help the equity market be 'all right,' as the fourth quarter has historically been the best quarter of the year. Over the last 30 years, the S&P 500 has been up 4.8%, on average, in the final quarter, and has been positive 80% of the time. On a longer-term basis, seasonality within the presidential cycle should also be supportive of the equity market. Since 1929, the S&P 500 has had an average return of ~11% in a president's fourth year, and is positive 91% of the time.* Supportive seasonality should help propel the S&P 500 to 3,122 over the next 12 months.

CHART OF THE WEEK

Here Comes the Sun!

The fourth quarter has historically been the best quarter of the year for the S&P 500, up 4.8%, on average, over the last 30 years.



*See Charts of the week on page 3.

ECONOMY

- The Consumer Confidence Index declined to 125 in September from 134 in August, but remained strong by historical standards.* Similarly, job growth has slowed in 2019, but the trend remains beyond the level needed to absorb new entrants into the workforce. Nonfarm payrolls are expected to post a moderately strong gain in September, but seasonal adjustment may add to the usual statistical noise (the monthly change in payrolls is reported accurate to ±110,000). As investors pay close attention to average hourly earnings, about 1.5 million education jobs are expected to be added and 800,000 summer jobs are expected to be lost. Tight labor market conditions should continue to boost wage growth and further consumer confidence and spending.
- **Focus of the Week:** The ISM surveys were mixed in August, reflecting weakness in manufacturing, but moderate strength in the overall economy. We can expect similar, mixed results in the September surveys. The regional manufacturing surveys continue to reflect more volatility than the overall manufacturing index.

September 23 – September 27

MON	Chicago Business Barometer	WED	ADP Payroll Estimates (Sep)	FRI	Employment Report (Sep) Trade Balance (Aug)
TUE	ISM Manufacturing Survey (Sep) Motor Vehicle Sales (Sep)	THU	ISM non-Manufacturing Survey (Sep) Jobless Claims Factory Orders (Aug)	FUTURE EVENTS	10/8 Producer Price Index 10/9 FOMC Minutes 10/14 Columbus Day (Bond Market Closed)

US EQUITY

- Higher level US and Chinese officials are set to meet on October 10, the week before the US is set to increase its tariff rate to 30% from 25% on $250 billion of Chinese goods. President Trump is expected to meet with President Xi on November 16, where the possibility of a mini-deal is growing. Our base case view is that if a skinny deal or agreement is made that will be market positive.
- Q3 earnings season will unofficially begin with several banks on October 15. In general, earnings growth remains very slow and Q3 likely ends with flattish growth (current estimates reflect -3.1%).* However, the average stock is expecting more supportive growth than the headline (2.7% Q3 growth expected for the average company), generally led by companies with more exposure to the US.
- **Focus of the Week:** Impeachment proceedings have generated most of the headlines in recent days, but trade talks in early October, as well as the beginning of earnings season, will likely be the most influential items to monitor in the coming weeks. The biggest risk to the market would be a possible knee-jerk reaction move lower if a 'smoking gun' is uncovered in the impeachment probe. We believe this would be short lived, and should be used as a buying opportunity if it transpires.

FIXED INCOME

- It is not surprising that interest rates have vacillated from week to week as economic data, trade talks, impeachment inquiries, and geopolitical unrest dominate headlines. The longer-term trend continues to reflect lower rates as the 10-year Treasury bond has rallied, pushing rates down 35% year-to-date or 44% over the last year.* Capital preservation is critical at this juncture of the economic cycle where volatility and uncertainty abound. Keep your asset allocations well defined and measured.
- **Focus of the Week:** While interest rates may see a near-term bounce from the expectation of a strong employment gain next week, slowing global economic momentum will continue to place downward pressure on rates and likely keep any rise contained.

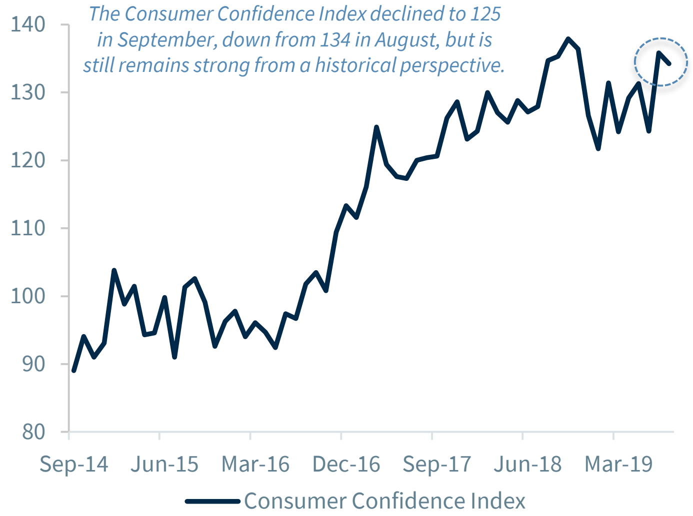
POLITICAL, INTERNATIONAL AND COMMODITIES

- On September 24, the UK's supreme court unanimously concluded that the UK Prime Minister's suspension of parliament was unlawful. The impacts of this are complex and have yet to fully play out. It is likely that the UK is edging toward another general election, however this election is likely to take place after the current Brexit deadline date of October 31, mainly because a majority of the UK parliamentarians want to take the risk of a 'no-deal' Brexit on this date off the table. A soft Brexit outcome (the UK leaves the EU but there is a long taper period and many current rules remain in place) still remains the best compromise and most likely scenario. So a high level of uncertainty persists, but we are heading toward a Brexit finale.
- Following the stunning drone attack on September 14 against Saudi oil infrastructure, causing the world's largest oil supply disruption since the Gulf War in 1991, both the Saudi and US governments quickly placed blame on Iran. The evidence provided by the Saudis thus far lacks a proverbial 'smoking gun' conclusively proving Iranian involvement, but it appears to be enough for other major NATO powers. This past week, Germany, Britain, and France all joined the US in publicly holding Iran responsible.
- The House impeachment inquiry follows a whistleblower complaint related to a call between President Trump and the newly elected leader of Ukraine, the specifics of which have made Democrats and Republicans double down on their positions since being made public. The next steps will be a series of hearings, the potential drafting/passage of articles of impeachment in the committee (simple majority needed), then floor consideration in the House (simple majority). Should the House vote to impeach, the Senate's current rules require the Senate to hold a trial, with a two thirds threshold required for conviction/removal of the president. The current makeup of the Senate (53 Republicans, 47 Democrats) makes it extremely unlikely to meet the two thirds vote threshold needed. Previous impeachment proceedings have taken between 3-6 months, and we could easily see impeachment-related headlines increasing uncertainty for the foreseeable future.
- **Focus of the week:** From a market perspective, the impeachment proceedings will likely slow the legislative agenda even further, making any progress on health care, infrastructure, spending, and passage of the USMCA even more difficult. From a China trade perspective, the debate will be about a Trump pivot toward a win via a 'mini deal' or doubling down to cater to his base (similar to the tone of Trump's UN speech). If this continues the pattern of Trump related 'scandals,' we expect the market to look past this, unless a significant new development emerges. The lack of progress on legislative initiatives (i.e., no drug pricing deal) or a move toward a China 'mini-deal' could serve to mitigate risk to the market. Longer term, if impeachment is ultimately seen as boosting President Trump's reelection chances, that could be viewed as a market positive. On the fight for the Democratic nomination, the longer the story is in the news, the more negative impact there is for a Biden nomination (fairly or not). A wounded Biden increases the odds of a Warren nomination, which would add to market volatility.

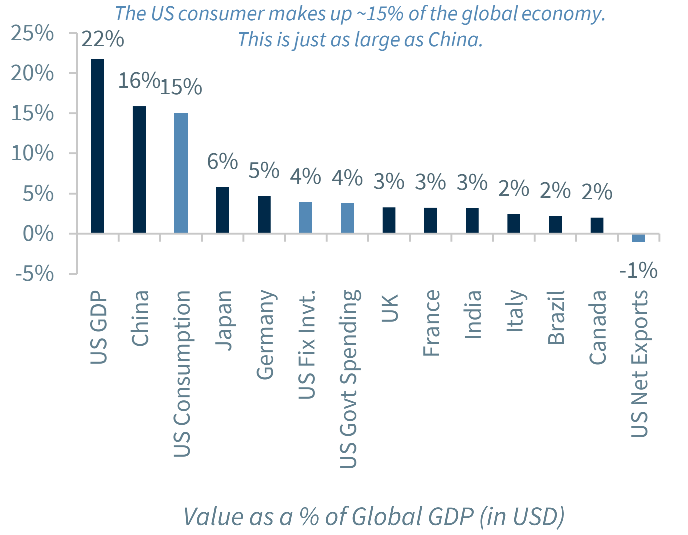
*See Charts of the week on page 3.

Charts of the Week

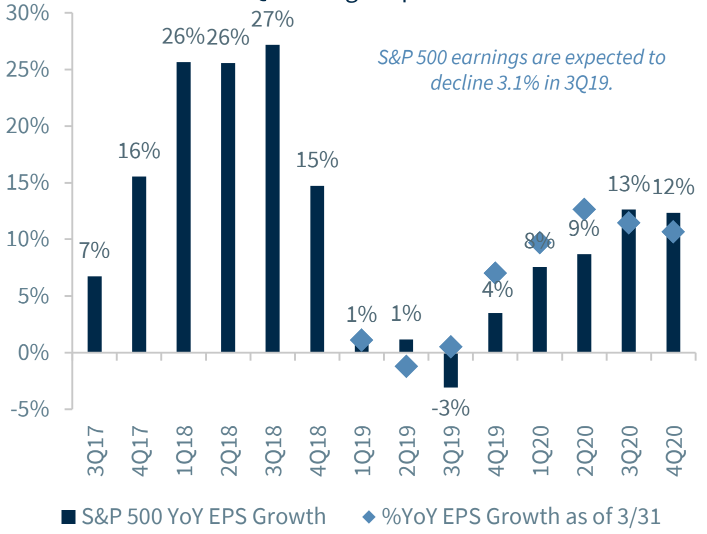
Consumer Confidence Falls



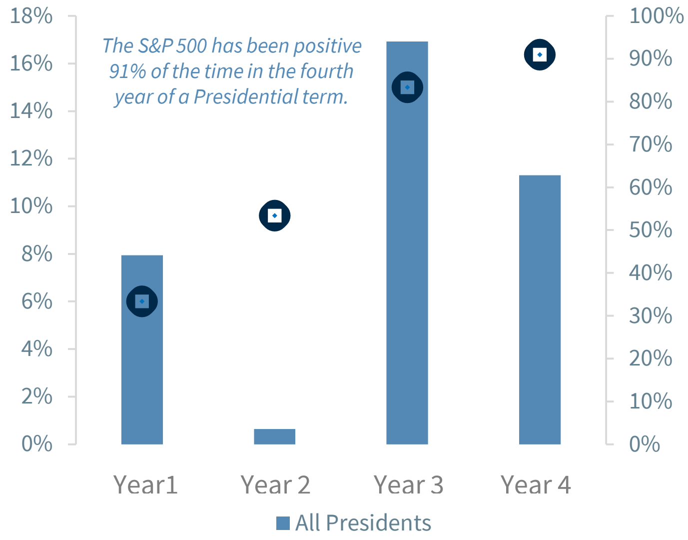
US Consumer a Large Part of Global Economy



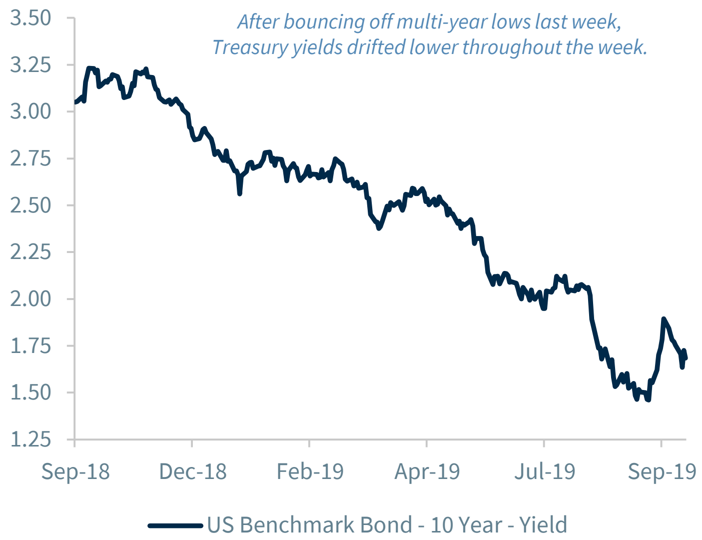
3Q Earnings Expectations



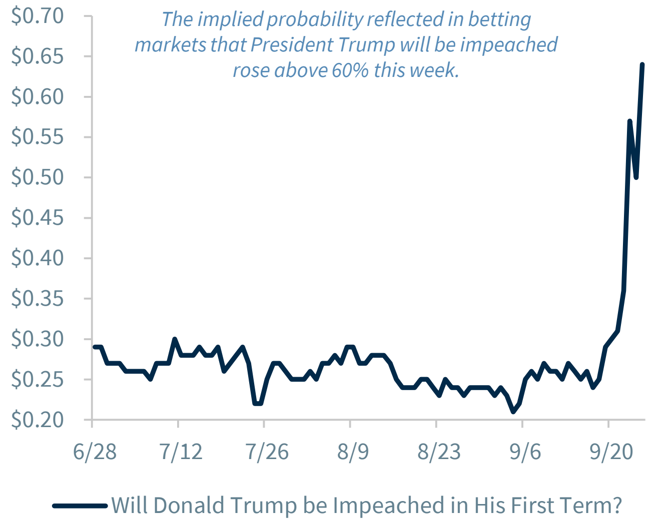
Fourth Year of Presidential Term Historically Positive



Treasury Yield Oscillation



Impeachment Probability Soars



Asset Class Performance | Distribution by Asset Class and Style (as of September 26)

Weekly Returns (as of September 26)

U.S. Equities (S&P indices)	Value	Blend	Growth
Large Cap	-0.4%	-0.5%	-0.5%
Mid Cap	-0.1%	-0.4%	-0.6%
Small Cap	-0.3%	-1.0%	-1.7%

International Equities (MSCI indices)	Dev. Mkt	World	Emerg. Mkt
Large Cap	-0.5%	-0.6%	-0.9%
Mid Cap	-0.5%	-0.4%	-1.0%
Small Cap	-0.5%	-0.9%	-0.5%

Fixed Income (Bloomberg Barclays indices)	1-3 YR	Medium	Long
Treasury	0.0%	0.3%	0.6%
Invest. Grade	0.1%	0.3%	0.3%
High Yield	-0.1%	-0.2%	-0.3%

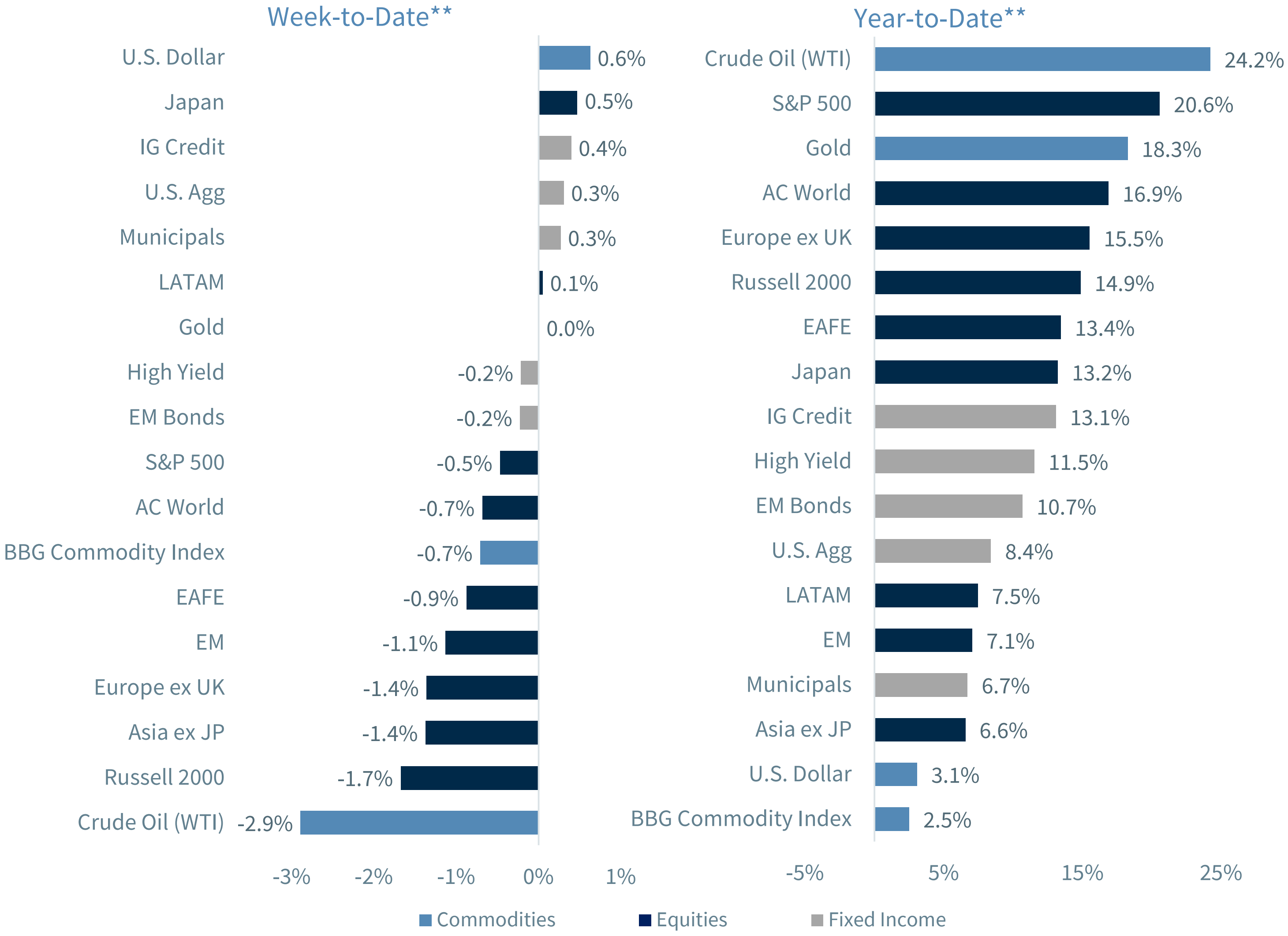
Year-to-Date Returns (as of September 26)

U.S. Equities (S&P indices)	Value	Blend	Growth
Large Cap	19.7%	20.6%	21.4%
Mid Cap	17.1%	17.9%	18.6%
Small Cap	16.0%	14.0%	12.1%

International Equities (MSCI indices)	Dev. Mkt	World	Emerg. Mkt
Large Cap	15.9%	17.7%	9.3%
Mid Cap	16.1%	18.3%	6.1%
Small Cap	14.9%	15.4%	5.2%

Fixed Income (Bloomberg Barclays indices)	1-3 YR	Medium	Long
Treasury	1.8%	6.0%	10.7%
Invest. Grade	4.1%	8.8%	12.4%
High Yield	6.2%	11.2%	18.8%

Asset Class Performance | Weekly and Year-to-Date (as of September 26)



**Assumes all asset classes are priced in US dollars unless otherwise noted.
Ranked in order of performances (best to worst).

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	2977.6	(1.0)	1.9	20.6	4.6	13.8	10.8	15.8
DJ Industrial Average	26891.1	(0.8)	1.8	15.3	1.9	19.3	12.6	16.1
NASDAQ Composite Index	8030.7	(1.9)	0.9	21.0	0.5	19.9	13.1	19.0
Russell 1000	3162.8	(1.0)	1.8	20.6	2.5	12.6	9.9	13.5
Russell 2000	3810.7	(1.8)	2.7	14.9	(12.9)	7.9	6.4	11.6
Russell Midcap	5748.0	(0.8)	2.1	22.1	0.5	10.1	7.9	13.5

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	363.0	(1.0)	2.6	16.5	0.6	9.4	4.9	9.4
Industrials	656.2	(0.7)	3.2	22.8	1.7	12.0	9.7	13.5
Comm Services	168.2	(1.9)	1.0	22.4	6.7	3.2	5.4	9.6
Utilities	329.4	2.0	4.5	25.7	30.6	12.3	13.1	12.6
Consumer Discretionary	942.9	(1.7)	0.4	21.9	2.3	16.3	13.7	17.9
Consumer Staples	626.9	1.2	1.3	22.8	16.4	8.0	9.2	12.4
Health Care	1038.5	(2.0)	(0.7)	5.1	(3.3)	9.4	8.7	14.3
Information Technology	1417.0	(0.6)	1.8	31.7	9.9	23.3	18.3	17.3
Energy	440.4	(2.5)	4.6	6.8	(18.8)	(0.8)	(5.2)	3.5
Financials	464.9	(1.1)	4.5	19.4	2.3	15.9	10.4	11.0
Real Estate	245.1	0.7	1.4	30.3	27.4	9.9	11.6	15.0

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	1.8	0.0	0.2	1.7	2.3	1.5	0.9	0.5
2-Year Treasury (%)	1.7	0.1	(0.2)	2.8	4.2	1.3	1.1	1.1
10-Year Treasury (%)	1.7	0.8	(1.5)	10.7	15.1	1.7	3.4	4.0
Barclays US Corporate High Yield	6.2	(0.2)	0.5	11.5	6.6	6.3	5.4	7.9
Bloomberg Barclays US Aggregate	2.3	0.4	(0.6)	8.4	10.3	2.9	3.4	3.7
Bloomberg Barclays Municipals		0.3	(0.8)	6.7	8.7	3.2	3.7	4.2
Bloomberg Barclays IG Credit	3.0	0.6	(0.8)	13.1	13.0	4.4	4.7	5.6
Bloomberg Barclays EM Bonds	5.0	(0.1)	(0.1)	10.7	10.8	4.4	4.9	6.7

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	56.4	(2.6)	2.4	24.9	(21.9)	7.3	(9.6)	(1.6)
Gold ($/Troy Oz)	1506.4	0.4	(1.4)	17.8	26.1	4.0	4.4	4.3
Dow Jones-UBS Commodity Index	78.6	(1.0)	2.1	2.5	(7.2)	(2.5)	(8.0)	(4.4)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
U.S. Dollar Index	99.1	0.9	0.2	3.1	5.2	1.3	3.0	2.6
U.S. Dollar per Euro	1.1	(1.0)	(0.6)	(4.3)	(6.9)	(1.0)	(2.9)	(2.9)
U.S. Dollar per British Pounds	1.2	(1.2)	1.3	(3.1)	(6.4)	(1.7)	(5.4)	(2.5)
Japanese Yen per U.S. Dollar	107.7	(0.3)	1.4	(1.9)	(4.7)	2.4	(0.3)	1.8

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	521.9	(0.9)	2.3	16.9	1.9	10.6	7.1	9.1
MSCI EAFE	1895.6	(0.9)	3.0	13.4	(1.9)	7.1	3.7	5.5
MSCI Europe ex UK	1958.6	(1.5)	1.8	15.5	(1.3)	8.2	3.9	5.4
MSCI Japan	3278.4	0.7	5.8	13.2	(3.4)	6.8	6.1	5.8
MSCI EM	1009.3	(0.7)	2.7	7.1	(0.6)	6.6	2.5	3.9
MSCI Asia ex JP	621.5	(0.7)	2.3	6.6	(2.6)	6.8	4.3	5.9
MSCI LATAM	2688.7	(0.1)	3.5	7.5	9.7	7.7	(1.0)	0.2
Canada S&P/TSX Composite	12660.1	(0.4)	2.1	17.2	3.8	4.7	2.2	4.1

DISCLOSURES

All expressions of opinion reflect the judgment of the author(s), and are subject to change. This information should not be construed as a recommendation. The foregoing content is subject to change at any time without notice. Content provided herein is for informational purposes only. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct. Past performance is not a guarantee of future results. Indices and peer groups are not available for direct investment. Any investor who attempts to mimic the performance of an index or peer group would incur fees and expenses that would reduce returns. No investment strategy can guarantee success. Economic and market conditions are subject to change. Investing involves risks including the possible loss of capital.

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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