November 1, 2019

THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Don't forget to turn your clocks back this weekend! As Daylight Saving Time comes to an end this Sunday, our daylight hours will diminish, but we get an extra hour of sleep – something we all admittedly need this time of year. However, this bonus hour of slumber is not the only good news worth sharing, as the S&P 500 has already notched two record highs this week, overtaking the previous high set on July 26. The past few days have certainly given the financial markets enough reasons to stay 'awake,' as ~35% of the S&P 500 market capitalization reported earnings and a multitude of economic data points were released (i.e., ISM Manufacturing Index, non-farm payrolls, and wage growth). This week, we hope to 'shed some light' not only on some of the recent developments but also on our overall outlook for the economy and financial markets as we enter into year end.

Key Takeaways

The Fed Rate Cut To 'Spring' The Economy Forward

Economic Data Releases Put Recessionary Fears to 'Rest'

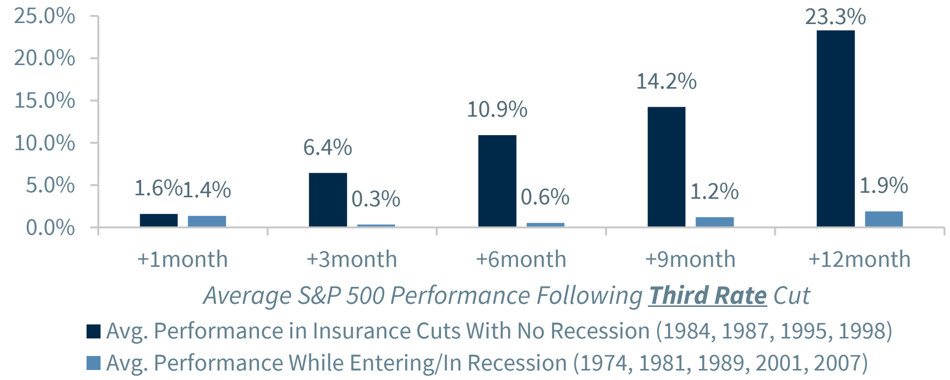
Signing Date for Phase One Trade Deal Still 'In The Dark'

- **Spring The Economy Forward |** While the clock may be 'falling back,' the Federal Reserve (Fed) wants to keep the current record economic expansion (128 months) moving forward. As expected, the Fed implemented its third 25 basis point 'insurance' rate cut this year at Wednesday's Federal Open Market Committee (FOMC) meeting. In the Fed's guidance, Chair Powell said they would continue to "assess the appropriate path" for interest rates in light of "incoming information." We believe this third cut may be the 'charm' to propel the economic expansion further. Over the last 30 years, when the Fed has implemented an 'insurance' rate cut policy of 75 basis points, the equity market has been 'lights out' as the S&P 500 has posted a 12-month forward return of ~23%, on average. The combination of the Fed rate cuts, a healthy consumer, and a strong labor market gives us confidence in our positive economic outlook with only a small probability of a recession. Continued economic growth should lead to accelerating earnings growth that should keep the equity market well supported.
- **Trade Talks Won't Hit Snooze|** President Trump and President Xi were expected to have a formal signing of the first phase of the trade deal at the November 16-17 APEC Summit in Santiago, Chile. This week, Chilean President Piñera cancelled the forum amid escalating domestic issues. Over the past several months, any negative development surrounding the US/China trade negotiations would have rattled the financial markets, but there had already been word from US officials that putting the specifics of the deal on paper could extend (but not derail) the signing past the summit date. In addition, to assuage market fears, President Trump quickly tweeted that a new location would be found. With Trump set to travel to Europe in early December for the NATO summit, a neutral meeting place is a strong possibility. Although the exact date and location remain 'in the dark,' we believe both sides will 'stay alert' to avoid the December 15 consumer-sensitive tariff deadline.
- **Not Losing Any Sleep |** With two-thirds of the S&P 500 market capitalization having reported, the prospects of a 'dream-worthy' third quarter earnings season are looking 'dim.' At the headline level, S&P 500 earnings are currently expected to be down 2.6% year-over-year. While earnings thus far have come in better than expected, the 1.5% upward revision in earnings to date is less than half the 20-quarter average of 3.3% and the worst observation over the last five years. While this may very well be the first quarter of negative earnings growth since 2Q16, we are 'not losing any sleep' over it. The reason: guidance has remained optimistic overall, the percentage of companies beating their earnings estimates (73%) is above average, sales growth remains healthy and the return to positive earnings growth is likely to occur as early as next quarter's earnings season.
- **Recessionary Fears Put To Rest |** As we entered into this week, anxious investors were 'stirring' not only because of the Fed's looming rate cut decision but also in anticipation of the numerous economic data points to be released. The preliminary reading of 3Q19 GDP brought some immediate relief, as the 1.9% growth rate was above the consensus estimate of 1.7% and only slightly below the 2Q19 rate of 2.0%. Personal consumption expenditures posted another strong quarter (2.9%), but we had hoped business investment would 'wake up' instead of posting its largest decline since Q415 (-3.0%). Instead of 'counting sheep,' investors are counting jobs! The US economy added 128,000 jobs in October, and the August and September reports were revised up a combined 95,000 jobs.* The ISM Manufacturing Index, while still in contraction territory, saw a slight rebound to 48.3 after declining to 47.8 last month – the lowest level since 2009.* These supportive trends reaffirm our overall positive economic outlook, and we reiterate our forecasts for 2019 and 2020 GDP growth of 2.2% and 1.7% respectively.

CHART OF THE WEEK

Spring the Economy Forward

The Federal Reserve's implementation of a cumulative 75 basis point rate cut 'insurance' policy has historically been supportive of the equity market. Following the third cut, the average return for the S&P 500 is ~23%!



*See Charts of the week on page 3.

ECONOMY

- The October Employment Report was stronger than expected. Private-sector payrolls rose by 131,000, a 154,000 average over the last three months. The unemployment rate was essentially unchanged at 3.6%, vs. 3.5% in September (a 50-year low).
- The ISM Manufacturing Index improved in October (48.3, vs. 47.8 in September), but remained in contraction for the third consecutive month. Comments from supply managers were downbeat.
- The FOMC lowered short-term interest rates for the third time this year, leaving the federal funds target range at 1.50-1.75%. In his post-meeting press conference, Chair Powell said Fed officials "believe that monetary policy is in a good place," suggesting that further cuts are unlikely.
- Real GDP rose at a 1.9% annual rate in the advance estimate for 3Q19, reflecting moderate strength in consumer spending and a further decline in business fixed investment. Consumer spending remains supported by job gains and wage growth, but monthly data suggested some moderation heading into 4Q19. While a lot hinges on trade policy, the pace of economic growth is expected to remain moderate into 2020, limited by supply constraints in the labor market.
- Both headline inflation (PCE 1.3% YoY) and core inflation (PCE ex-food and energy 1.7%) moderated in September and remained stubbornly below the Fed's 2% target.* Chair Powell mentioned in his post FOMC press conference that "we would need to see a significant move up in inflation that's persistent before we consider raising rates," suggesting that the Fed will likely remain on the sideline with respect to rate hikes for the foreseeable future.
- **Focus of the Week:** The ISM-Non Manufacturing Index, which dropped significantly in September from 56.4 to 52.6, will report on Tuesday and is expected to rebound to 53.3. As services far outweigh the manufacturing portion of the economy, strength in the services sector of the economy bears monitoring as manufacturing continues to lag.

November 4 – November 8

MON Factory Orders (Sep)

TUE Trade Balance (Sep)
ISM Non-Manufacturing Survey (Oct)
JOLTS (Sep)

WED Productivity (3Q19, prelim.)

THU Jobless Claims

FRI Consumer Sentiment

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

US EQUITY

- The S&P 500 has been able to break out to new all-time highs on trade progress, a dovish Fed, and a generally positive response to Q3 earnings season. New highs have historically coincided with above-average market returns over the intermediate term, however, the S&P 500 has been able to move to new highs during both Q1 and Q2 earnings season this year before rolling over on trade escalation.* While we have a positive bias to the market, we are guardedly optimistic in the short term with the S&P 500 at overbought conditions and disappointments on trade having taken place intermittently over the 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.
- **Focus of the week:** The more domestic-focused companies continue to put up better earnings and price reactions to results due to the weaker global macro. In Q3, S&P 500 companies with over 50% of their revenues from the US are growing earnings 1.9% and rising 0.7% on results, whereas those with over 50% of their revenues from overseas are seeing a -2.9% earnings contraction and rising only 0.3% on results.

FIXED INCOME

- The Fed will begin open market purchases of short-term Treasuries to provide a more permanent solution to the short-term liquidity funding issue that has recently created concern. This has immediately helped move short-term rates lower and returned the Treasury curve to a positive slope. The longer-term effect will likely pressure rates lower. In addition, the ECB implemented a new QE program that will also pressure European rates lower.
- **Focus of the Week:** The bond market is fixated on China/US trade negotiations. As the talks go, so goes the yield curve. Over the previous three weeks investors moved into a risk-on sentiment moving interest rates higher. The current implication that a long-term deal will be challenging immediately reversed market direction and Treasuries rallied (rates down).

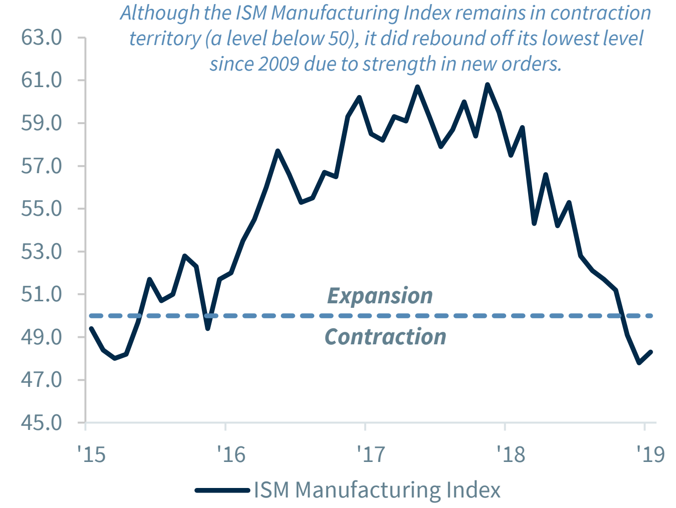
INTERNATIONAL & POLITICAL

- A UK general election will take place on December 12. Preferences over Brexit are likely to influence voters, making any prediction of the election's result more complex What has been notable from recent polling, is that a Boris Johnson led government appears more popular, and the recent performance of the UK pound - which is set for its best monthly performance against the dollar in nearly eighteen months - is centered on building hopes that Boris Johnson is able to win a parliamentary majority that helps him pass the Brexit deal he negotiated with the EU before the next extension deadline expires.*
- The cancelation of the November 16-17 APEC Summit in Chile due to ongoing protests presents a logistical challenge for a face-to-face Trump-Xi meeting to get a phase one deal across the finish line, but we expect the overall talks will stay on track given positive progress. We expect both sides will continue to work out a deal that addresses commodity purchases, currency provisions, market access, and some steps on intellectual property. The December 15 implementation date for the more consumer-sensitive tariffs is the more important deadline for the current negotiations. We expect the fate of those tariffs to be settled as part of a phase one deal, if the current trajectory is maintained. A surprise upside to a potential phase one deal is the removal of the $110 billion in tariffs implemented on September 1, as this remains a priority for China.
- **Focus of the Week:** It is too early to tell at this stage whether an alternate venue will be secured to maintain the original November 16-17 schedule. One alternative possibility could be on the sidelines of the BRICS Summit in Brazil around November 12-13, although the US is not a part of this gathering. If these mid-November dates ultimately fall through, we note that President Trump is scheduled to travel to the UK for the December 3-4 NATO summit. It is plausible that some sort of meeting with Xi could be added on as part of this trip as well if the two sides agree on a neutral location somewhere in Europe. This would also allow the two sides some additional time for negotiations ahead of the December 15 tariffs.

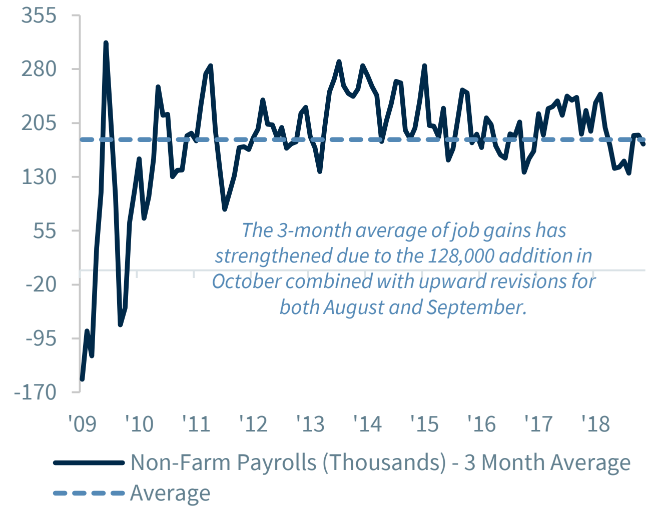
*See Charts of the week on page 3.

Charts of the Week

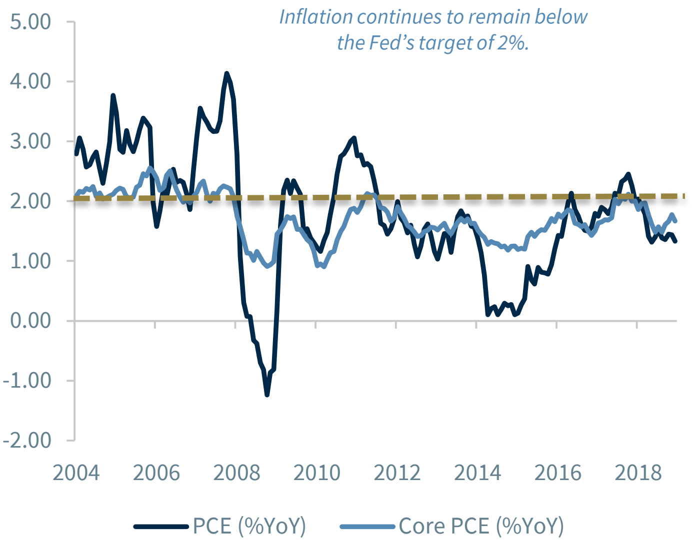
ISM Manufacturing Index Rebounds



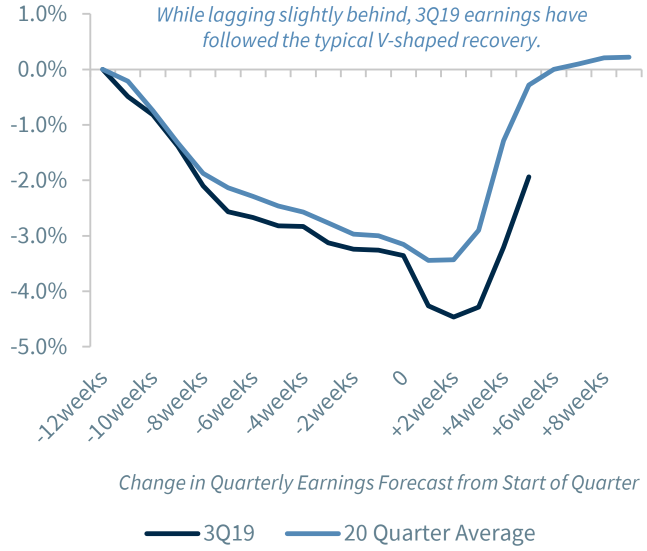
Jobs Market Remains Strong



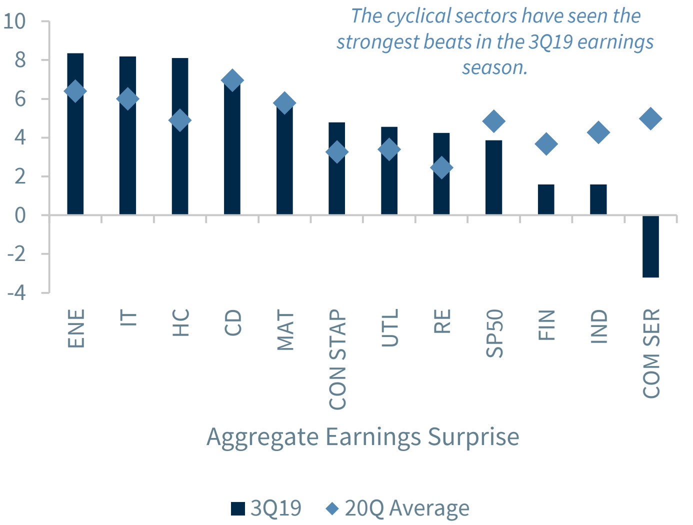
Inflation Pressures Remain Muted



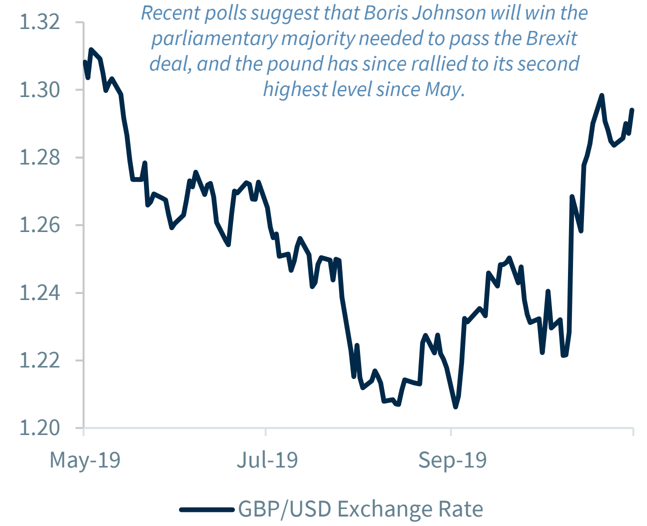
Earnings Following Typical Seasonal Pattern



Cyclicals Seeing the Strongest EPS Beats



Pound Rallies as Parliamentary Vote Approaches



Asset Class Performance | Distribution by Asset Class and Style (as of October 31)

Weekly Returns (as of October 31)

US Equities (S&P indices)

	Value	Blend	Growth
Large Cap	0.1%	0.5%	0.9%
Mid Cap	-0.2%	-0.2%	-0.1%
Small Cap	-0.4%	-0.3%	-0.1%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	0.0%	0.4%	0.6%
Mid Cap	0.2%	0.2%	0.3%
Small Cap	0.2%	0.2%	0.6%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	0.6%	1.0%
Invest. Grade	0.2%	0.4%	0.6%
High Yield	-0.2%	-0.3%	0.0%

Year-to-Date Returns (as of October 31)

US Equities (S&P indices)

	Value	Blend	Growth
Large Cap	23.2%	23.2%	23.2%
Mid Cap	19.0%	19.2%	19.4%
Small Cap	17.7%	15.7%	13.7%

International Equities (MSCI indices)

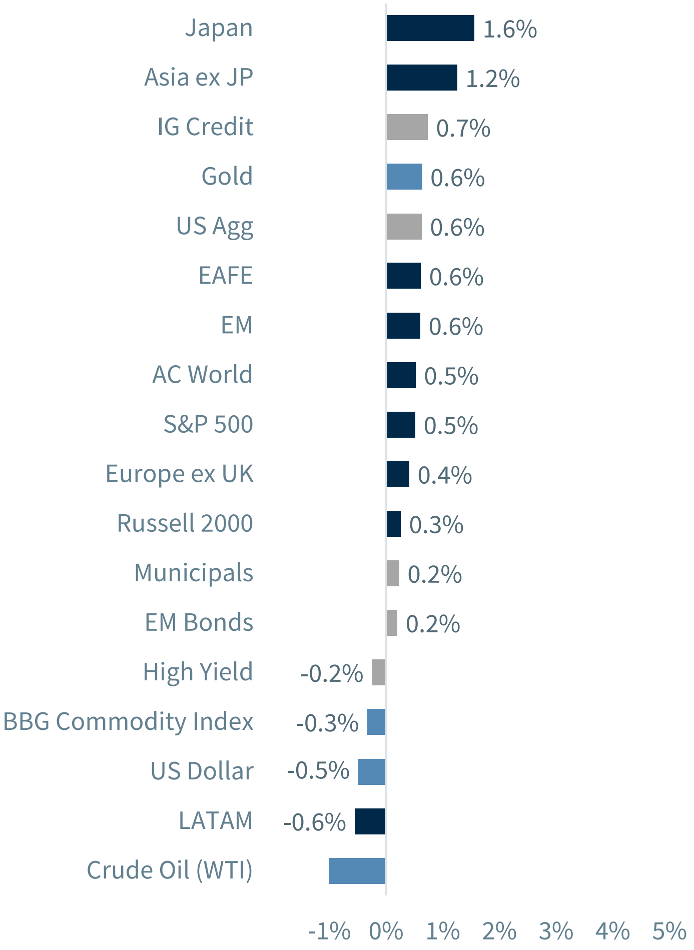
	Dev. Mkt	World	Emerg. Mkt
Large Cap	17.9%	20.1%	11.9%
Mid Cap	19.3%	20.3%	7.9%
Small Cap	18.3%	17.5%	7.1%

Fixed Income (Bloomberg Barclays indices)

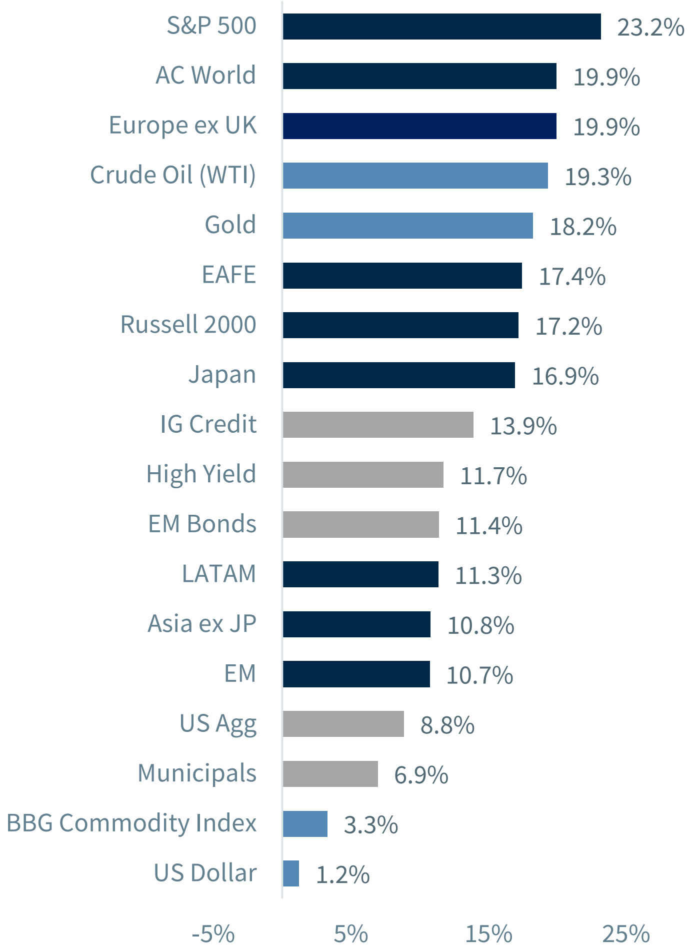
	1-3 YR	Medium	Long
Treasury	2.0%	6.4%	10.9%
Invest. Grade	4.6%	9.6%	13.4%
High Yield	6.3%	11.4%	19.2%

Asset Class Performance | Weekly and Year-to-Date (as of October 31)

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).

Weekly Data

Data as of October 31

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	3037.6	0.9	0.0	23.2	14.3	14.9	10.8	15.8
DJ Industrial Average	27046.2	0.9	0.0	15.9	7.7	19.3	12.6	16.1
NASDAQ Composite Index	8292.4	1.3	0.0	25.0	13.5	19.9	13.1	19.0
Russell 1000	3223.9	0.9	2.1	23.1	14.2	14.7	10.5	13.7
Russell 2000	3883.1	0.8	2.6	17.2	4.9	11.0	7.4	12.3
Russell Midcap	5792.9	0.2	1.1	23.2	13.7	12.3	8.7	13.7

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	364.7	0.9	0.0	17.2	13.5	9.8	5.9	9.8
Industrials	661.3	0.5	0.0	23.9	14.9	12.5	9.2	14.1
Comm Services	171.8	1.4	0.0	25.4	15.5	6.7	5.6	10.2
Utilities	325.8	(0.9)	0.0	24.4	23.7	13.0	11.0	12.8
Consumer Discretionary	950.0	(0.3)	0.0	22.9	15.8	16.9	13.6	18.0
Consumer Staples	627.3	(0.5)	0.0	23.1	14.0	8.1	8.5	12.1
Health Care	1095.6	3.1	0.0	11.0	8.6	14.0	8.9	15.0
Information Technology	1467.2	2.0	0.0	36.5	22.6	24.2	18.7	17.6
Energy	426.7	(2.0)	0.0	3.6	(11.0)	(2.5)	(4.9)	2.8
Financials	476.0	0.6	0.0	22.5	11.7	15.5	10.4	11.7
Real Estate	243.2	(1.7)	0.0	29.6	26.7	12.4	9.7	15.1

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	1.5	0.0	0.0	1.9	2.3	1.5	1.0	0.5
2-Year Treasury (%)	1.5	0.1	0.0	3.2	4.3	1.4	1.1	1.1
10-Year Treasury (%)	1.7	0.7	0.0	10.9	15.9	2.5	3.0	4.0
Barclays US Corporate High Yield	6.4	(0.1)	0.0	11.7	8.4	6.0	5.2	7.8
Bloomberg Barclays US Aggregate	2.2	0.5	0.0	8.8	11.5	3.3	3.2	3.7
Bloomberg Barclays Municipals		0.2	0.0	6.9	9.4	3.6	3.6	4.4
Bloomberg Barclays IG Credit	2.9	0.6	0.0	13.9	15.4	5.0	4.6	5.6
Bloomberg Barclays EM Bonds	5.0	0.2	0.0	11.4	12.7	4.8	4.9	6.7

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	54.2	(4.1)	0.0	20.0	(17.0)	5.0	(7.6)	(3.5)
Gold ($/Troy Oz)	1511.0	1.0	0.0	18.1	24.4	5.9	5.4	3.8
Dow Jones-UBS Commodity Index	79.2	(0.1)	0.0	3.3	(4.8)	(2.3)	(7.6)	(5.0)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	97.4	(0.3)	0.0	1.2	0.2	(0.3)	2.3	2.5
US Dollar per Euro	1.1	0.5	0.0	(2.4)	(1.5)	0.6	(2.3)	(2.8)
US Dollar per British Pounds	1.3	0.7	0.0	1.6	1.3	2.0	(4.2)	(2.4)
Japanese Yen per US Dollar	108.1	(0.4)	0.0	(1.5)	(4.2)	0.9	(0.7)	1.8

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	534.4	0.8	0.0	19.9	13.2	11.9	7.7	9.4
MSCI EAFE	1955.5	0.7	0.0	17.4	11.6	9.0	4.8	5.9
MSCI Europe ex UK	2030.9	0.5	0.0	19.9	13.3	10.3	5.3	5.9
MSCI Japan	3352.8	1.7	0.0	16.9	9.6	7.8	7.3	6.6
MSCI EM	1042.0	0.4	0.0	10.7	12.3	7.8	3.3	4.1
MSCI Asia ex JP	645.5	1.2	0.0	10.8	13.6	8.8	5.1	6.3
MSCI LATAM	2777.4	(0.9)	0.0	11.3	8.1	5.4	0.4	0.1
Canada S&P/TSX Composite	12540.9	0.7	0.0	15.1	9.7	3.7	2.4	4.2

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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