November 8, 2019

THOUGHTS OF THE WEEK

Larry Adam, Chief Investment Officer, Private Client Group

Follow Larry Adam on Twitter: @LarryAdamRJ

WEEKLY HEADINGS

Key Takeaways

Info 'Technology' Boasts The Strongest Aggregate Beats

The 'Art' Of Interpreting Earnings & Future Guidance

Lower For Longer Yields Provide 'STEAM' For Equities

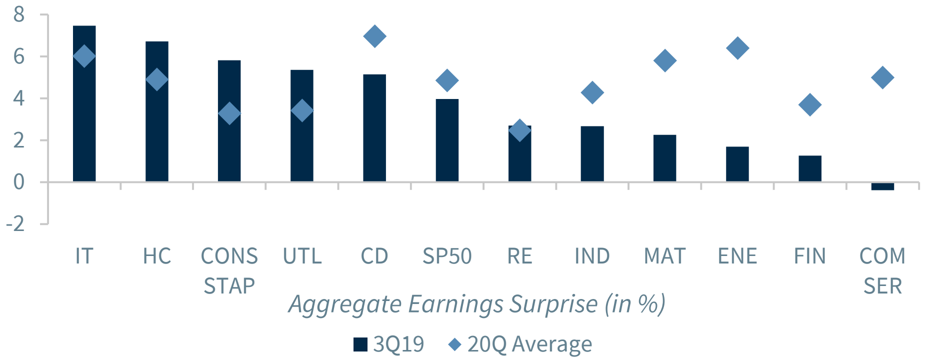
Today, November 8, we celebrate National S.T.E.A.M. (Science, Technology, Engineering, Art & Mathematics) Day. This date is appropriate as 'NOV-8' is a play on the word 'IN-NOV-ATE,' an attribute necessary to maintain the competitive edge of the US economy. Many schools have adopted these areas of focus to instill the value of a well-balanced education in students. As your Investment Strategy team, it is our responsibility to be innovative and well balanced in how we conduct, construct and disseminate our market views. Admittedly, while there are clearly S.T.E.M aspects to analyzing historical numbers and trends, there is an 'A'rt to how we convey our outlook. Consistent with our approach, we overlay the S.T.E.A.M. subjects to our assessment of the third quarter earnings season.

- **Science Behind The Strength of Health Care** | With less than 10% of the S&P 500 market capitalization left to report, the Health Care sector has been a standout with 85% of companies beating EPS estimates. The magnitude of beats has been impressive too, with companies topping estimates by 6.7% on average, well above the previous 20Q average of 4.9% and the S&P 500 average of 3.9%. These results arrived at an opportune time, as political risk associated with Medicare-For-All proposals have kept the sector 'under the microscope.' Health care costs will undoubtedly remain a top concern amongst both parties as we go further into the election cycle, but we think the sector's underperformance is overdone. Health Care has trailed the S&P 500 by 8.8% over the last 12 months, and is trading at a significant discount (~15%) to the broader market. Favorable demographics, attractive valuations and earnings momentum lead us to remain constructive on Health Care.
- **Technology At The Top** | While technology is ever-changing, one thing has remained the same—the sector's outperformance. Technology is up ~40% year to date, outpacing all other sectors by at least 10% and the broader market (S&P 500) by ~15%.* Therefore, it is no surprise that the sector has had the strongest aggregate beats of any sector at 7.5%, topping its 20Q average of 6%. While trade tensions and a stronger dollar could weigh on the outlook, 2020 earnings are expected to rise 10% year-over-year. This estimate has been resilient throughout this earnings season, rising 0.5% and making it the only sector to see positive revisions. The Technology sector remains one of our favorite sectors due to the secular trend of rapid advancements across our entire economy, from artificial intelligence to robotics to medical enhancements to communications. In the near term, continued strong earnings, attractive valuations, buybacks and seasonality reinforce our positive view.
- **Engineering Earnings** | Share buybacks continue to support this bull market. From 2016 to 2018, S&P 500 companies bought back ~$650 billion in stock annually, on average. 2018 saw the largest amount of buybacks of the three years, with companies purchasing ~$830 billion of their own stock. These buybacks have not only boosted the attractiveness of equities for investors (~3.5% buyback yield), but have also financially 'engineered' earnings growth. Over this same time period, earnings growth outpaced net income growth by ~7-8%, which suggests that buybacks added ~2-3% to earnings growth on an annual basis.
- **Art of Interpretation** | While 3Q19 earnings growth is projected to decline 1.5% year-over-year, it is up to investors (and us) to interpret the results and guidance from management and 'paint a rosy or dark picture.' We choose a more optimistic view on earnings, because top line revenue growth remains healthy at ~5% (and it is rare to go into an earnings recession without negative sales growth), management guidance remains positive with little reference to a recession and global growth appears to be bottoming (especially if we get any truce in the trade war). As a result, we forecast 5-6% earnings growth in 2020, which will be necessary for the equity market to move higher as the 18.7x LTM P/E leaves little, if any, upside for multiple expansion.
- **Mathematics of the Market** | When we do the math, lower for longer interest rates should be supportive of equity valuations. Discounting dividends or earnings back to present value increases valuations the lower interest rates fall, especially with US Treasury yields near multi-year lows (10-year Treasury yield: 1.94%). Global negative yielding debt, currently accounting for ~22% of total outstanding global bonds, also makes equities attractive on a relative basis. As an example, ~50% of the S&P 500 constituents have a dividend yield above the 10-year Treasury yield. Given that low global yields could potentially stimulate the global economy and earnings growth, this should provide the 'steam' to power equity markets moving forward.

CHART OF THE WEEK

The Numbers Don't Lie

With less than 10% of the S&P 500 market capitalization left to report, Info Technology and Health Care have seen the strongest aggregate earnings beats and are outpacing their 20-quarter average.



*See Charts of the week on page 3.

ECONOMY

- The ISM Non-Manufacturing Index improved to 54.7 in October vs. 52.6 in September and 56.4 in August.* Details within the report were consistent with moderate growth in the overall economy as growth in business activity, new orders (a harbinger of future services growth), and employment all picked up following a 'soft' September report. Input price pressures were moderate reflecting continued muted inflationary pressures. Comments from supply managers were mixed, but mostly upbeat.
- Next week, the Fed will be in focus as Fed Chair Powell will testify on the economy before the Joint Economic Committee of Congress on Wednesday, his first congressional appearance since July. As the Fed did not commit to further accommodation at the December FOMC meeting, we will monitor Chair Powell's views on the economy following the strong October employment report and see whether he provides any guidance with respect to future rate cuts.
- **Focus of the week:** Next week, there will be a number of economic data points worth monitoring. Retail sales are expected to have been lackluster in October. Unit motor vehicle sales were reported lower, but higher gasoline prices ought to boost overall spending. Industrial production is expected to have fallen further in October. Aggregate manufacturing hours (from the employment report) were reported to have fallen 0.7%, partly reflecting the strike at General Motors. The Consumer Price Index should reflect higher gasoline prices in October but core inflation (ex-food and energy) is expected to remain moderate.

November 11 – November 15

MON	Veterans Day (Bond Market Closed)	WED	Consumer Price Index (October) Real Earnings (Oct) Powell testifies on the economy	FRI	Retail Sales (Oct) Industrial Production (Oct)
TUE	Small Business Optimism (Oct)	THU	Producer Price Index (Oct) Jobless Claims	FUTURE EVENTS	11/21 Leading Economic Indicators (Oct) 11/22 Consumer Sentiment 11/28 Thanksgiving Holiday (Markets Closed)

US EQUITY

- Q3 earnings season is approaching its end, as ~90 of the S&P 500 has reported up to this point. The average price reaction has been a positive 0.6%, with those beating on earnings rising by 1.2% on average and those missing on earnings trading -2.3% lower on average.* At the sector level, the best price reactions have come from Health Care (the biggest positive outlier), Financials, Materials, and Industrials. Earnings have surprised by 3.9% on average (below the 4.9% five-year average), which has taken the full quarter earnings growth estimate up to -1.5% year-over-year (YoY). Looking forward, estimates have continued to move lower.
- **Focus of the week:** The current S&P 500 strength has come on trade progress, a positive reaction to earnings season, and a rotation into some of the deep cyclical areas of the equity market. Historically, when the S&P 500 has traded to a new high (after over three months of not having a new high), the market has continued to rally as forward returns have been above average. Additionally, seasonality now becomes a tailwind as the November-April timeframe is historically the strongest period of the year for equity returns. In sum, strength begets strength, which supports our positive bias towards US equities.

FIXED INCOME

- On the back of increased optimism surrounding a US/China trade deal and reduced recession fears, longer-duration Treasury yields continued their recent move higher as the 10-year Treasury yield (1.94%) rose to the highest level since July. This further steepened the yield curve (10-year/2-year) as the curve is now at the steepest level since July.*
- The move higher in yields was not contained to the US, as international sovereign bond yields also moved sharply higher this week. In particular, while the 10-year German bund yield remains in negative territory, it is now at the highest level in four months and is 45 bps off of the lows (-0.72%) in August. With this move higher in international bond yields, the amount of negative yielding debt globally has declined to $12 trillion (the lowest level in five months) and is down from the peak of $17 trillion in August.*
- **Focus of the Week:** While trade optimism may lead to tactically higher yields in the near term, we believe that the trajectory for yields over the next 12 months remains down as further easing from global central banks is likely to suppress yields.

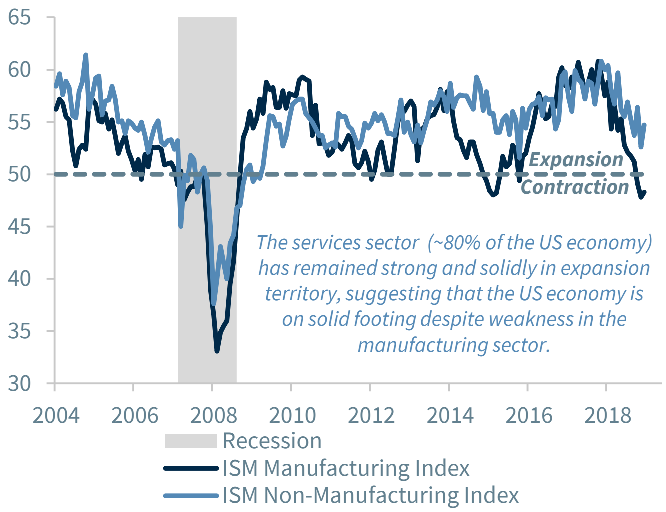
INTERNATIONAL, POLITICAL & COMMODITIES

- Elizabeth Warren released her plan on how she will fund Medicare for All (MFA), pledging to avoid raising taxes on the middle class. Instead, her plan uses a multifaceted approach, which is largely driven by raising taxes on the wealthy, corporations, and cutting defense spending. Total healthcare expenditures would be $7 trillion less than the current $59 trillion projection under the status quo for a total of $52 trillion over the next decade. The MFA is likely to have a ~1% probability to become law in the next five years.
- Christine Lagarde started her eight-year term as president of the European Central Bank (ECB) on November 1. The real value-add that Lagarde can bring is to channel the experiences she garnered in her previous job at the International Monetary Fund and effectively lecture euro zone governments to complement the continuing ultra-loose ECB policy with expansionary fiscal policy boosts and flexibility improving structural shifts. In short, the best contribution Lagarde can make in her new job aside from continuing the policy path set out by Draghi is to start highlighting its limitation and the need for increased fiscal stimulus.
- The Kentucky governor race looks to have been determined more by local political factors that went against the incumbent Republican governor. Democrats winning control of the legislature in Virginia should be a factor of concern for Republicans. The result of the state legislature swinging towards Democrats further highlights the widening urban/suburban-rural divide. Suburban areas are clearly trending blue and will be key to electoral college victories in states like Pennsylvania, Michigan, and Wisconsin.
- On impeachment, a takeaway could be that Republican voters aren't as energized to defend the president. This could soften the resolve of some of the more vulnerable Senators up for re-election in 2020, but we're still far off from enough support breaking away from the president to oust him from office.
- **Focus of the week:** This past weekend, Saudi Arabia launched the IPO of its national oil company, Saudi Aramco, which marks a key element of the country's economic diversification strategy. At OPEC's upcoming meeting in December, the group will need to make a key decision: whether to extend the current supply cuts beyond March 2020. The Aramco IPO means that Saudi Arabia will presumably want to support the stock after it begins trading, which bodes well for an extension of the supply cuts.

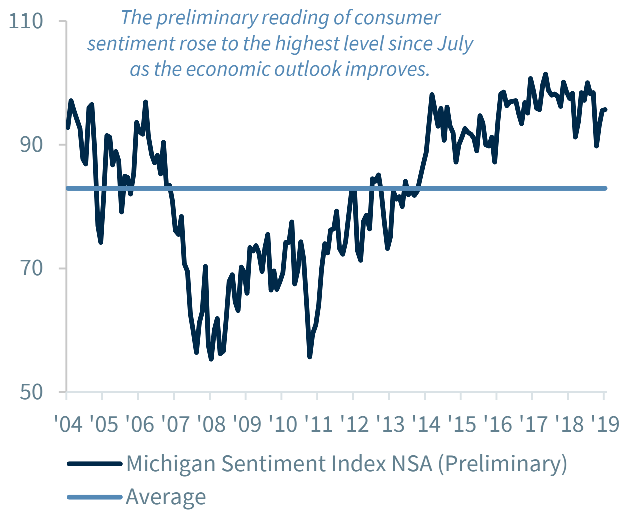
*See Charts of the week on page 3.

Charts of the Week

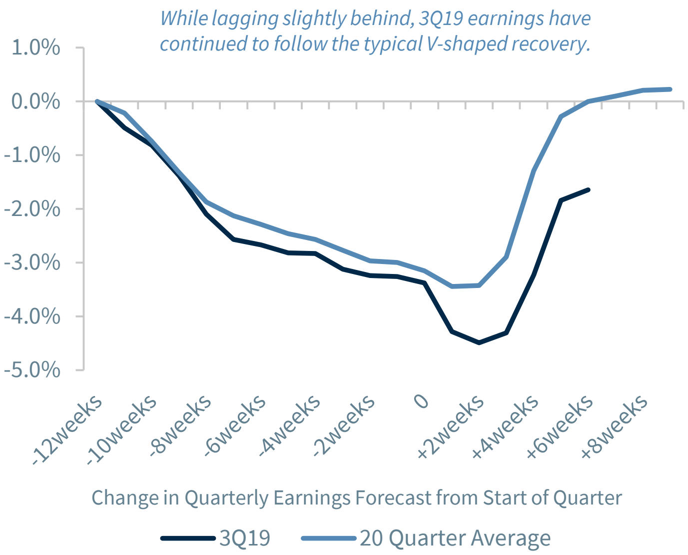
ISM Non-Manufacturing Index Remains Resilient



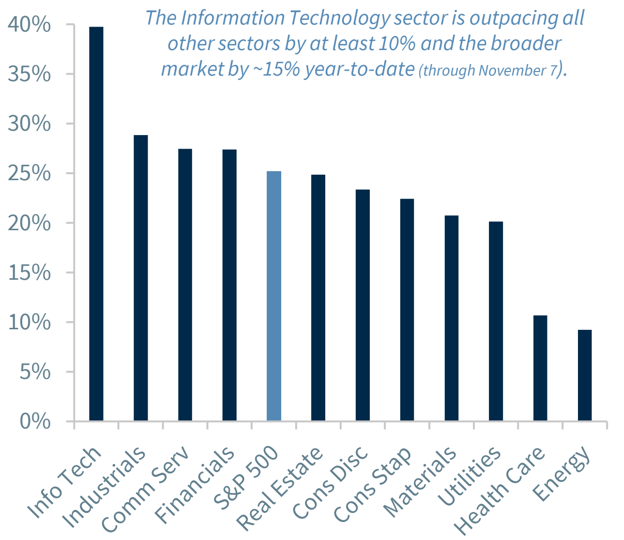
Consumer Sentiment Rises



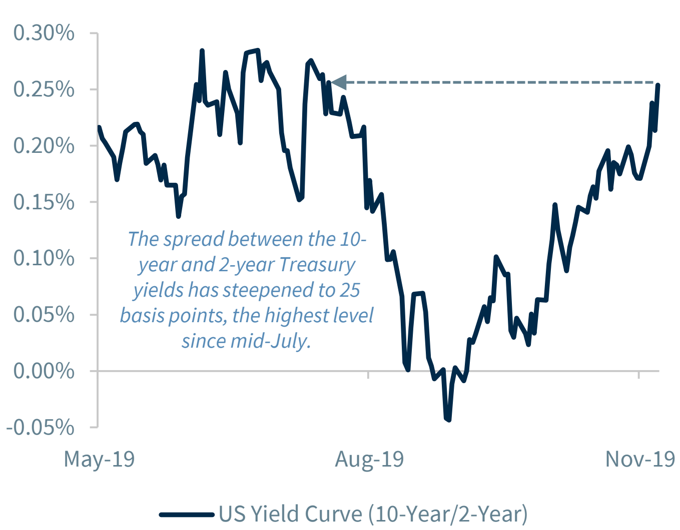
3Q19 Earnings V-Shaped Recovery



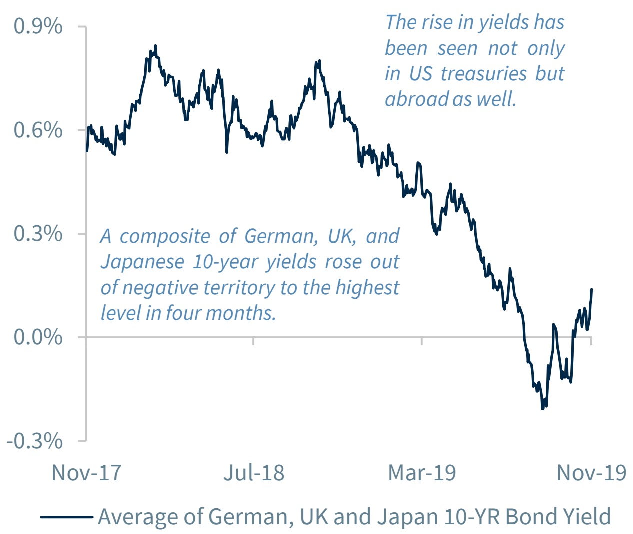
Year-To-Date Sector Performance



10-Year/2-Year Yield Curve Continues to Steepen



Rise in Yields Not Confined to US



RAYMOND JAMES

Asset Class Performance | Distribution by Asset Class and Style (as of November 7)

Weekly Returns (as of November 7)

US Equities (S&P indices)

	Value	Blend	Growth
Large Cap	1.3%	0.7%	0.0%
Mid Cap	1.0%	0.5%	0.0%
Small Cap	1.4%	0.7%	0.1%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	1.8%	1.2%	2.5%
Mid Cap	1.5%	0.9%	1.5%
Small Cap	1.5%	0.7%	0.7%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	-0.8%	-1.7%
Invest. Grade	-0.2%	-0.5%	-0.9%
High Yield	-0.1%	0.1%	0.3%

Year-to-Date Returns (as of November 7)

US Equities (S&P indices)

	Value	Blend	Growth
Large Cap	26.6%	25.2%	24.0%
Mid Cap	22.1%	21.5%	20.9%
Small Cap	21.5%	18.4%	15.3%

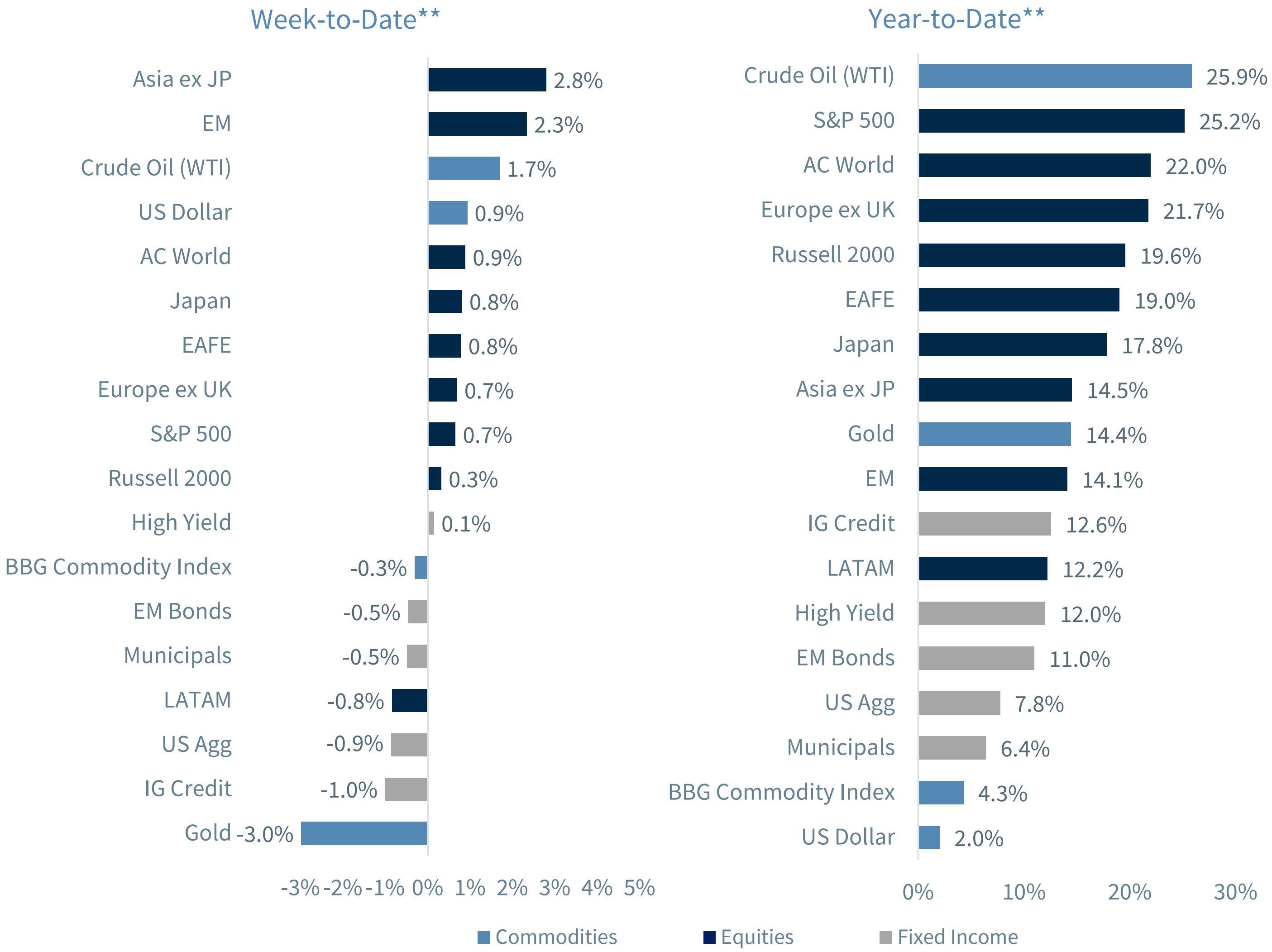
International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	20.5%	22.5%	15.4%
Mid Cap	21.7%	22.4%	10.2%
Small Cap	20.5%	19.5%	8.1%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	2.1%	5.3%	8.6%
Invest. Grade	4.4%	8.9%	12.3%
High Yield	6.3%	11.6%	19.7%

Asset Class Performance | Weekly and Year-to-Date (as of November 7)



**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 November 7

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	3085.2	1.6	1.6	25.2	11.9	15.4	10.8	15.8
DJ Industrial Average	27674.8	2.3	2.3	18.6	5.7	19.3	12.6	16.1
NASDAQ Composite Index	8434.5	1.7	1.7	27.1	11.4	19.9	13.1	19.0
Russell 1000	3273.9	1.6	1.6	25.1	14.2	14.7	10.5	13.7
Russell 2000	3961.5	2.1	2.1	19.6	4.9	11.0	7.4	12.3
Russell Midcap	5865.9	1.3	1.3	24.8	13.7	12.3	8.7	13.7

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	375.9	3.1	3.1	20.8	9.7	10.7	6.5	9.6
Industrials	687.3	4.0	4.0	28.9	13.9	13.5	9.7	13.9
Comm Services	174.6	1.6	1.6	27.5	15.6	7.8	5.9	10.3
Utilities	314.3	(3.5)	(3.5)	20.1	16.8	12.1	9.8	12.2
Consumer Discretionary	953.8	0.4	0.4	23.4	9.4	16.9	13.7	17.5
Consumer Staples	623.9	(0.5)	(0.5)	22.4	10.6	8.1	7.9	11.9
Health Care	1091.5	(0.3)	(0.3)	10.7	3.1	13.5	8.9	14.6
Information Technology	1500.8	2.4	2.4	39.8	22.3	25.3	19.1	17.5
Energy	449.8	5.5	5.5	9.3	(10.1)	(1.1)	(4.0)	3.0
Financials	494.4	4.0	4.0	27.4	11.9	16.6	11.0	11.9
Real Estate	234.2	(3.7)	(3.7)	24.8	18.6	11.6	8.8	14.7

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	2.0	2.3	1.6	1.0	0.5
2-Year Treasury (%)	1.7	(0.3)	(0.3)	2.9	4.2	1.3	1.1	1.0
10-Year Treasury (%)	1.9	(2.1)	(2.1)	8.6	13.9	1.7	2.6	3.9
Barclays US Corporate High Yield	6.3	0.3	0.3	12.0	8.0	6.3	5.3	7.8
Bloomberg Barclays US Aggregate	2.4	(1.0)	(1.0)	7.8	10.5	2.9	3.0	3.6
Bloomberg Barclays Municipals		(0.5)	(0.5)	6.4	9.1	3.4	3.5	4.4
Bloomberg Barclays IG Credit	3.0	(1.2)	(1.2)	12.6	13.8	4.6	4.4	5.5
Bloomberg Barclays EM Bonds	5.0	(0.4)	(0.4)	11.0	11.8	4.7	4.9	6.6

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	57.1	1.9	5.7	26.5	(7.4)	8.4	(6.2)	(3.0)
Gold ($/Troy Oz)	1484.3	(1.8)	(1.8)	16.0	20.7	5.0	5.2	3.1
Dow Jones-UBS Commodity Index	80.0	1.0	1.0	4.3	(4.4)	(1.5)	(7.4)	(4.8)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	98.1	0.8	0.8	2.0	2.2	0.1	2.3	2.6
US Dollar per Euro	1.1	(1.0)	(1.0)	(3.4)	(3.7)	0.0	(2.3)	(2.9)
US Dollar per British Pounds	1.3	(0.9)	(0.9)	0.7	(2.4)	1.1	(4.1)	(2.6)
Japanese Yen per US Dollar	109.3	1.1	1.1	(0.3)	(3.5)	1.5	(1.0)	2.0

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	543.3	1.7	1.7	22.0	11.5	12.7	8.1	9.3
MSCI EAFE	1981.6	1.4	1.4	19.0	10.9	9.9	5.3	5.9
MSCI Europe ex UK	2061.5	1.5	1.5	21.7	12.3	11.2	6.0	5.9
MSCI Japan	3378.2	0.8	0.8	17.8	10.6	8.8	7.4	6.8
MSCI EM	1073.6	3.0	3.0	14.1	10.8	9.3	4.5	4.2
MSCI Asia ex JP	667.4	3.4	3.4	14.5	12.7	10.3	6.2	6.6
MSCI LATAM	2796.6	0.8	0.8	12.2	6.7	6.1	1.4	(0.4)
Canada S&P/TSX Composite	12751.9	2.0	2.0	17.3	9.3	4.7	2.7	4.1

DISCLOSURES

All expressions of opinion reflect the judgment of the author(s) and the Investment Strategy Committee, 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.

DESIGNATIONS

Certified Financial Planner Board of Standards Inc. owns the certification marks CFP® and CERTIFIED FINANCIAL PLANNER™ in the U.S.

Investments & Wealth Institute™ (The Institute) is the owner of the certification marks “CIMA” and “Certified Investment Management Analyst.” Use of CIMA and/or Certified Investment Management Analyst signifies that the user has successfully completed The Institute's initial and ongoing credentialing requirements for investment management professionals.

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.

INTERNATIONAL DISCLOSURES

FOR CLIENTS IN THE UNITED KINGDOM | For clients of Raymond James Financial International Limited (RJFI): This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in the FCA rules or persons described in Articles 19(5) (Investment professionals) or 49(2) (high net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended)or any other person to whom this promotion may lawfully be directed. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

FOR CLIENTS OF RAYMOND JAMES INVESTMENT SERVICES, LTD.: This document is for the use of professional investment advisers and managers and is not intended for use by clients.

FOR CLIENTS IN FRANCE | This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in "Code Monetaire et Financier" and Reglement General de l'Autorite des marches Financiers. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

FOR CLIENTS OF RAYMOND JAMES EURO EQUITIES | Raymond James Euro Equities is authorised and regulated by the Autorite de Controle Prudentiel et de Resolution and the Autorite des Marches Financiers.

FOR INSTITUTIONAL CLIENTS IN THE EUROPEAN ECONOMIC AREA (EE) OUTSIDE OF THE UNITED KINGDOM | This document (and any attachments or exhibits hereto) is intended only for EEA institutional clients or others to whom it may lawfully be submitted.

FOR CANADIAN CLIENTS | This document is not prepared subject to Canadian disclosure requirements, unless a Canadian has contributed to the content of the document. In the case where there is Canadian contribution, the document meets all applicable IIROC disclosure requirements.

Investment Strategy

Lawrence V. Adam III, CFA, CIMA®, CFP®
Managing Director, Chief Investment Officer
T. 410.525.6217
larry.adam@raymondjames.com

Matt Barry
Investment Strategy Analyst
T. 410. 525. 6228
matt.barry@raymondjames.com

Scott Brown, PhD
Senior Vice President, Chief Economist
T.727.567.2603
scott.j.brown@raymondjames.com

Liz Colgan
Investment Strategy Analyst
T. 410.525.6232
liz.colgan@raymondjames.com

Giampiero Fuentes
Investment Strategy Analyst
T. 727.567.5776
giampiero.fuentes@raymondjames.com

J. Michael Gibbs
Managing Director, Equity Portfolio & Technical Strategy
T. 901.579.4346
michael.gibbs@raymondjames.com

Taylor Krystkowiak
Investment Strategy Analyst
T. 727.567.2211
taylor.krystkowiak@raymondjames.com

Joey Madere, CFA
Senior Portfolio Analyst
joey.madere@raymondjames.com
T.901.529.5331

Anne B. Platt
Vice President, Investment Strategy & Product Positioning
T. 727.567.2190
anne.platt@raymondjames.com

Richard Sewell, CFA
Senior Portfolio Analyst
richard.sewell@raymondjames.com
T.901.524.4194

RAYMOND JAMES

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER

880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863

RAYMONDJAMES.COM