THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

The Transportation Security Administration screened a record-breaking number of travelers during the Thanksgiving holiday, as more than 26 million passengers and crew members passed through checkpoints nationwide. The lyric "there's no place like home for the holidays" must be true. With travelers and airports preparing for what will likely be another record setting month as the holiday season continues, we wanted to provide you with a 'first class' ticket to our latest thoughts on the Fed, trade, impeachment, and market volatility. Safe travels to you and your families!

Key Takeaways

Fed Decision 'Lands Smoothly' in Financial Markets

Impeachment Proceedings Will Likely Be 'Stranded' in Senate

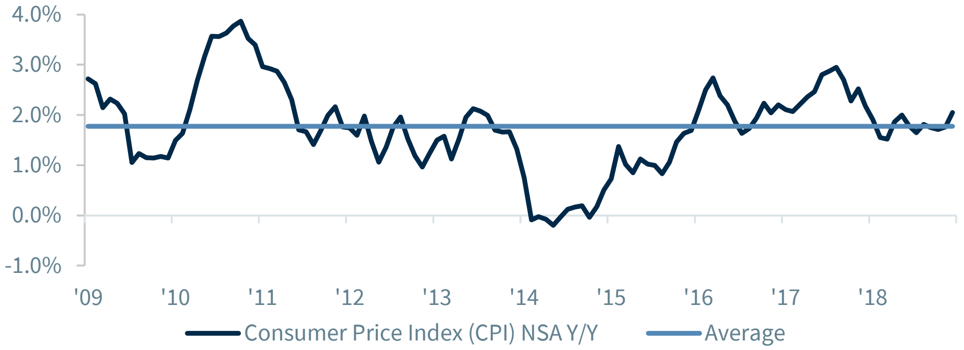
Headline Risk Will Continue to Cause 'Market Turbulence'

- **Fed Decision Makes a Smooth Landing |** The Federal Reserve's (Fed) unanimous decision this week to leave rates unchanged 'landed' smoothly in financial markets. Unlike previous FOMC meetings, there were no expectations for a fourth rate cut given the overall positive economic data released over the past few months and the apparent de-escalation in US/China trade tensions. In his press conference, Chair Powell highlighted the resiliency of the labor market, with the unemployment rate and jobless claims passing expectations and targets with 'flying' colors. The one area of concern that he has consistently acknowledged is muted inflation. The Fed's preferred measure for inflation, the personal consumption expenditures (PCE) index, has remained well below the 2.0% target. However, the headline consumer price index (CPI) rose 0.3% in the month of November, with the annual pace rising to 2.1% from 1.8%. This rise was largely driven by the energy component, as gasoline prices were up 1.1% last month. Sharp price increases across specific components such as fuel prices have served as a headwind for certain industries, including transports. But Chair Powell's comments (and the Fed members 'dot plot' which showed rates on hold throughout all of 2020) for future rate hikes were clear: until there is significant, persistent inflation at the broader level, interest rates will not be raised. We similarly forecast that Fed policy changes will be 'grounded' in 2020.
- **Phase One Trade Deal is on the Runway While USMCA Takes Flight |** The US and China agreed to a preliminary deal, with key issues such as US agricultural purchases and a phased rollback of tariffs seemingly discussed. While the phase one deal pulled away from the 'tarmac,' we need confirmation of the details before we consider this deal truly 'cleared for departure.' The USMCA trade deal is prepared for take-off, as members from both parties agreed on modifications related to labor enforcement, digital commerce, and patent protections for prescription drugs. While the agreement must still be ratified, it was a constructive compromise between both US political parties and between the US and two of its major trading partners. The deal could serve as a positive catalyst as the US and China address the 'bigger baggage' in the next round of trade talks.
- **House Members Carry On Impeachment Process |** The impeachment proceedings completed the 'next leg' of the trip this week, with two articles of impeachment brought against President Donald Trump on the grounds of abuse of power and obstruction of Congress. In what will likely be a quick vote by the House Judiciary Committee, the articles will pass to the full House, which given the 37 seat majority for the Democratic Party, should garner a swift approval. While these stages and their accompanying headlines may induce volatility in the near term, the articles of impeachment will likely be left 'stranded' in the Republican-controlled Senate. A two-thirds majority is required for a conviction, which would require 20 Republican senators to vote in favor of Trump's removal. The markets currently echo our sentiments, with a 92% probability that the House will pass at least one of the articles, but only a 14% probability that the Senate will convict Trump.
- **Fasten Your Seatbelt for Market Turbulence |** The Volatility Index (VIX) had remained below 15.0 for 36 days and was nearing the lowest levels since 2017 until last Monday, when President Trump suggested that a US/China trade deal may not occur until after the 2020 election. While still low from a historical perspective, and especially compared to last December's 35.0+ level, it has remained elevated heading into the highly anticipated December 15 tariff date. In addition, there had been a sense of complacency within the market, as long positions on the VIX reached new record lows. As we move into next year, we expect volatility to 'ascend' from and not 'descend' to those historically low levels. Several catalyst for volatility-inducing headlines include elevated expectations, impeachment, the US presidential election, and a 'revisiting' of trade tensions. Just like airline seats, modest pullback periods will feel uncomfortable, but we view them as normal, healthy tests for equities and would use them as buying opportunities.

CHART OF THE WEEK

Gasoline Prices Fuel CPI Index

Although it is not the Fed's preferred measure for inflation, the headline Consumer Price Index (CPI) annual pace rose to 2.1% from 1.8% in the month of November due to a sharp increase in gasoline prices.



*See Charts of the week on page 3.

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ECONOMY

- Retail sales in Nov. fell short of expectations with revisions to Sept. (↓) and Oct. (↑). On a seasonally adjusted basis, the underlying trend appears to have slowed following strong growth in the spring and early summer – still tracking at a robust pace YoY.*
- As expected, the Federal Open Market Committee (FOMC) left short-term interest rates unchanged. In the revised dot plot, 13 of 17 senior Fed officials expected no change in rates in 2020. Fed Chair Powell said that monetary policy was "well positioned to support continued economic growth, a strong job market, and inflation near our 2% goal."
- The Consumer Price Index rose in line with expectations (0.3% MoM, bringing the YoY pace to 2.1%) in November. The rise in consumer prices was driven largely by an increase in energy prices. The Producer Price Index continued to indicate a moderation in pipeline inflation pressures as PPI declined -0.2% on a MoM basis and is now rising at the slowest YoY pace (1.1%) since November 2016. Real average hourly earnings were flat for the third month in a row but are positive on a YoY basis (1.1%)
- **Focus of the Week:** With respect to economic data releases next week, industrial production is expected to rebound from the effects of the GM strike. Data on residential homebuilding are likely to be mixed, but should continue to reflect the rebound in housing over recent months. The Index of Leading Economic Indicators should be flat or slightly lower, consistent with the recent soft trend in recent months (consistent with moderate growth in the near term).

December 16 – December 20

MON: Homebuilder Sentiment

TUE: Building Permits; Industrial Production (Nov); JOLTS

WED:

THU: Current Account; Leading Economic Indicators; Jobless Claims

FRI:

FUTURE EVENTS: 12/24 Durable Goods Orders; 12/25 Christmas (Markets Closed)

US EQUITY

- The S&P 500 broke out to new highs this week on reports of major progress toward a phase one trade deal with China. Headlines suggest that US trade negotiators are not only offering to delay the December 15 tranche of tariffs, but also cut the rate on existing tariffs by 50%. The market had been consolidating some of its gains recently as December 15 approached, as investors made sure those tariffs got delayed. So if the current headlines come to fruition, it would obviously be an added boost to market momentum. The cut in existing tariffs would improve 2020 earnings expectations marginally and ease the sentiment headwind for both corporations and investors. On the other hand, a disappointment on trade is likely to cause a normal pullback.
- The S&P 500 currently trades at a P/E of 19.3x, which we view as reasonable considering the low inflation and interest rate environment, as well as the potential for global manufacturing trends to improve in 2020 as trade tensions ease. We apply a fair value S&P 500 P/E of 19.25x to our 2020 base case scenario, so the majority of next year's upside is likely to come from earnings growth in our view (following 22% P/E expansion in 2019).
- **Focus of the Week:** The S&P 500 breakout supports continued momentum over the intermediate term.* As such, we would continue to accumulate favored sectors and stocks, and use pullbacks as buying opportunities. At the sector level, we have a cyclical bias to our overweight sectors: Technology, Communication Services, Health Care, Financials, and Industrials.

FIXED INCOME

- As we have noted over recent weeks, longer-term bond yields have been primarily driven by swings in confidence over a potential trade deal. Therefore, it is no surprise that reports of a potential trade deal between the US and China have pushed longer-term bond yields back to nearly the highest level (1.90%) in three months. Additionally, as the Fed signaled that it expects to remain on the sidelines with respect to future Fed rate cut (thereby suppressing shorter term yields), the yield curve (10-year / 2-year: 26 bps) steepened to nearly its highest level in six months.*
- **Focus of the Week:** While longer-term yields may move modestly higher in the near term on the back of optimism surrounding trade, we continue to expect that the trajectory for US Treasury yields is down over the next 12 months as a more dovish Fed (no Fed rate hikes for the foreseeable future), muted inflation, a moderation of US growth (2020 US GDP target: 1.7%), aging demographics and international buying push yields lower. Our year-end 2020 10-year Treasury target is 1.70%.

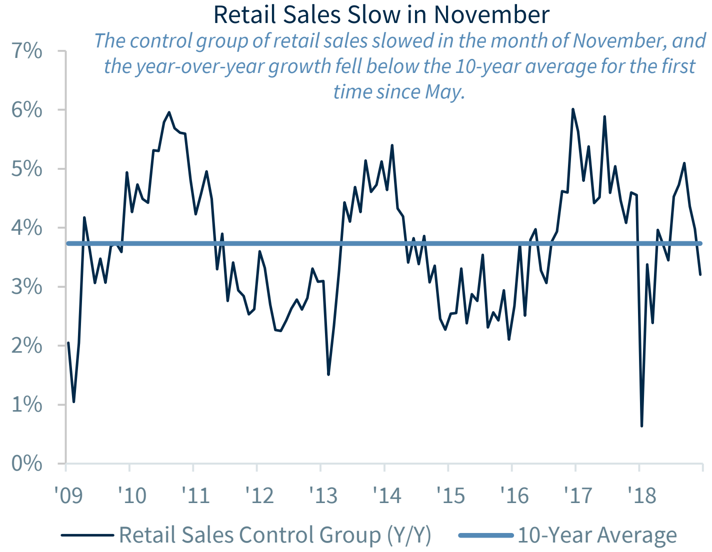
INTERNATIONAL, POLITICAL & COMMODITIES

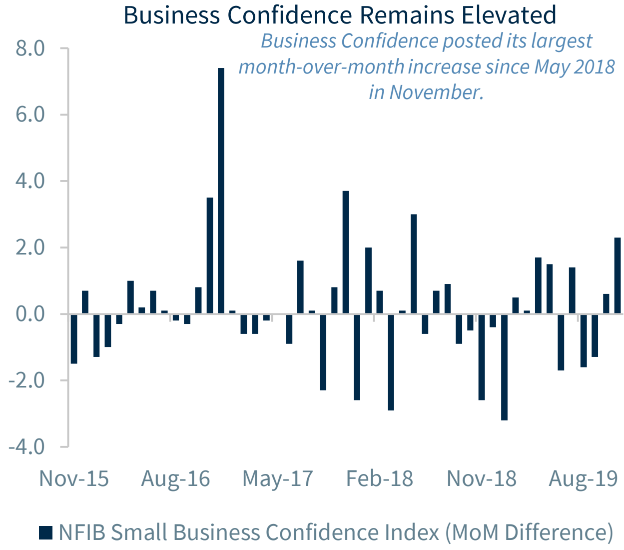
- With the UK election giving the Conservative party a workable majority, a road to enhanced Brexit clarity has opened. Brexit clarity should also have a positive effect on the UK economy, where investment expenditures in particular have been weak due to muted business confidence levels.* This should help prospective investment prospects for UK assets, as well as the pound's appreciation to continue as the perception of global investors towards UK assets should progressively improve over the next year.
- A phase one US/China trade deal that rolls back portions of existing tariffs and cancels the Dec. 15 tariff increase is on its way to implementation. The details of the agreement are still coming to light, but we expect commitments on agricultural purchases (potentially restoring previous highs in the $26B range) as well as some incremental steps on intellectual property, market access, and currency. In exchange, the U.S. will roll back existing tariffs on about $360B Chinese imports by up to 50%.
- The OPEC/Russia coalition agreed to upsize its production cuts by an additional 500,000 bpd. Saudi Arabia has been showing a historically rare degree of production discipline in advance of the IPO of Aramco and we anticipate that Saudi will remain similarly disciplined well into 2020, in part to prop up Aramco's stock by supporting oil prices and our 2020 target for WTI Crude of $65/bbl.

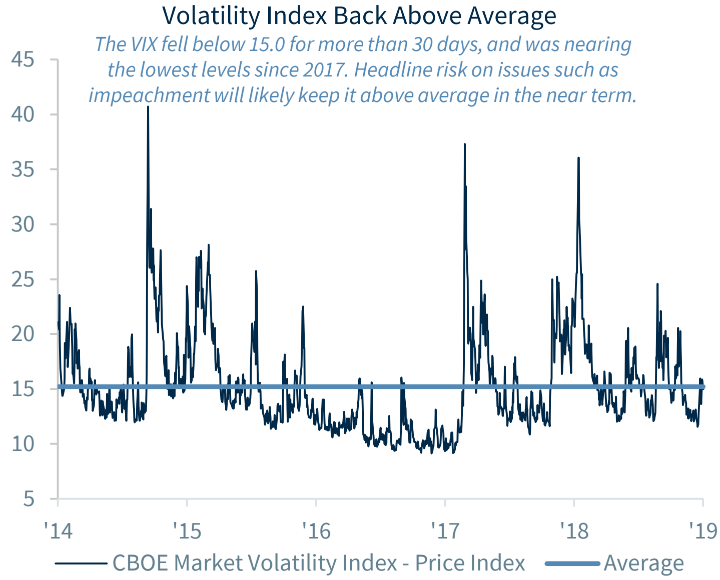
  Focus of the week: The House moving forward with articles of impeachment against President Trump on grounds of abuse of power and obstruction of Congress moves the impeachment process into the end-game but the expected outcome of acquittal in the Senate remains the base case. A full House vote to impeach President Trump is expected on December 18 which formally sets up a trial in the Senate. It would take 20 Republican defections to convict the President and remove him from office – a virtual impossibility given the current circumstances. A Senate trial is currently expected to begin early January and last a few weeks – potentially concluding before primary voters cast their first ballots in the Democratic nomination race in Iowa on February 3.

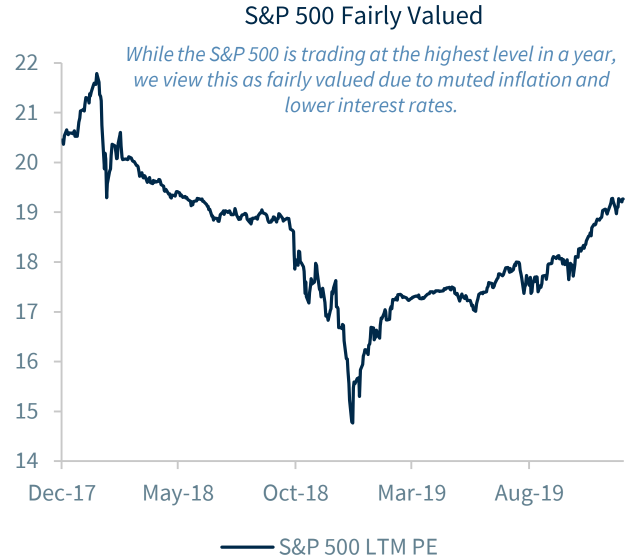
*See Charts of the week on page 3.

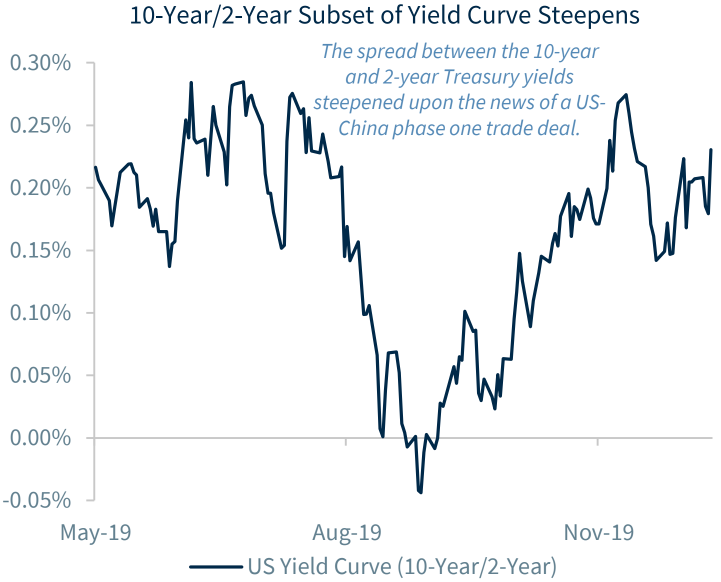
Charts of the Week

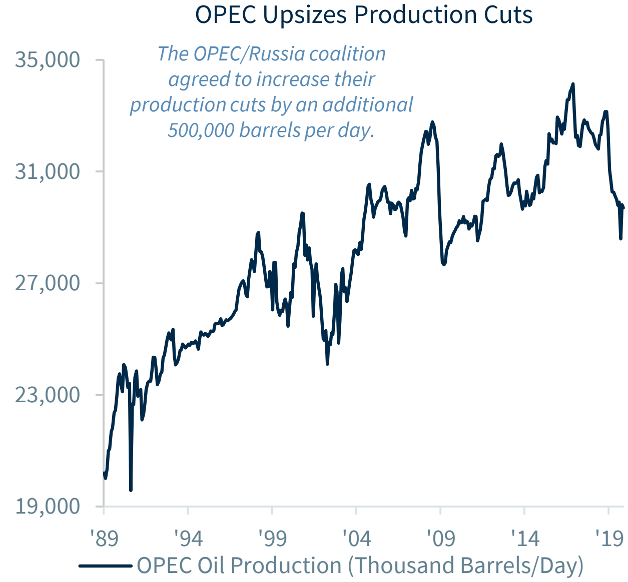












Asset Class Performance | Distribution by Asset Class and Style (as of December 12)

Weekly Returns (as of December 12)

US Equities (S&P indices)

	Value	Blend	Growth
Large Cap	1.1%	0.7%	0.5%
Mid Cap	1.3%	0.8%	0.3%
Small Cap	0.9%	0.8%	0.6%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	0.3%	0.7%	1.6%
Mid Cap	-0.2%	0.1%	1.2%
Small Cap	-0.2%	0.3%	0.9%

Fixed Income (Bloomberg Barclays indices)

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

Year-to-Date Returns (as of December 12)

US Equities (S&P indices)

	Value	Blend	Growth
Large Cap	29.9%	28.9%	27.9%
Mid Cap	24.8%	24.5%	24.1%
Small Cap	23.3%	21.2%	19.2%

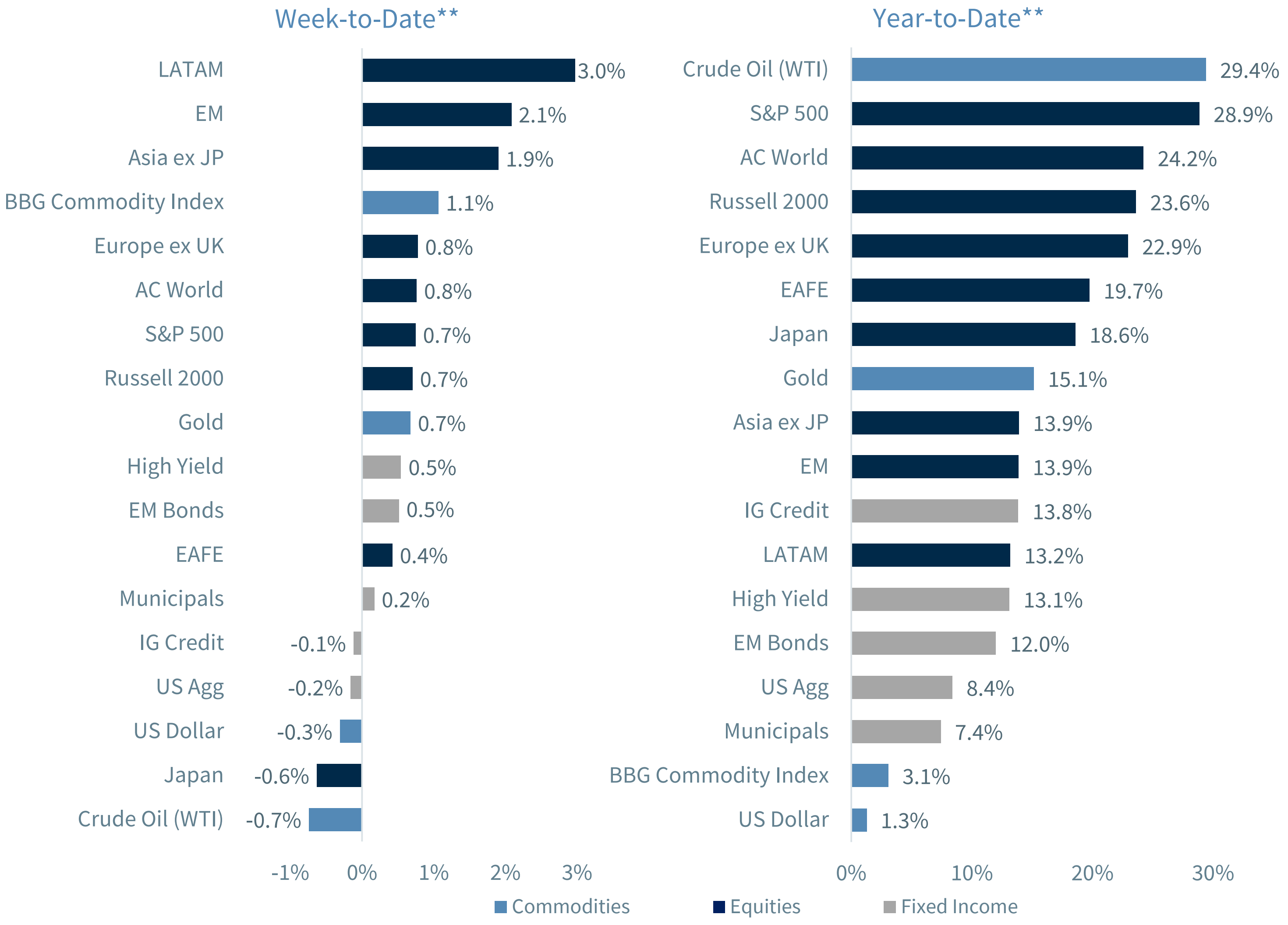
International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	20.1%	24.5%	15.3%
Mid Cap	22.3%	24.1%	10.3%
Small Cap	22.3%	22.2%	8.4%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	2.2%	5.4%	8.9%
Invest. Grade	4.6%	9.5%	13.1%
High Yield	7.2%	12.7%	21.5%

Asset Class Performance | Weekly and Year-to-Date (as of December 12)



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

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Weekly Data

Data as of December 12

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	3168.6	1.7	1.0	28.9	22.0	14.2	10.8	15.8
DJ Industrial Average	28132.1	1.6	0.3	20.6	14.7	19.3	12.6	16.1
NASDAQ Composite Index	8717.3	1.7	0.6	31.4	22.8	19.9	13.1	19.0
Russell 1000	3363.5	1.6	0.8	28.8	16.1	14.7	10.8	13.5
Russell 2000	4087.8	1.9	1.3	23.6	7.5	8.6	8.2	12.4
Russell Midcap	6016.5	1.3	0.5	28.3	15.0	11.6	8.9	13.6

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	380.7	2.5	1.6	22.8	19.4	8.1	7.7	9.2
Industrials	688.1	2.3	(0.1)	29.4	23.0	10.1	10.3	13.4
Comm Services	178.9	0.3	0.3	30.6	24.0	5.1	8.3	9.4
Utilities	316.9	(0.8)	(0.3)	21.8	15.1	12.9	10.3	11.3
Consumer Discretionary	963.0	1.9	0.3	24.9	18.0	14.9	13.4	17.0
Consumer Staples	639.1	0.2	0.9	25.8	17.0	9.3	8.4	11.8
Health Care	1165.0	1.2	1.5	18.4	11.7	15.5	9.8	14.5
Information Technology	1556.9	2.5	0.9	45.2	36.8	26.1	19.9	17.5
Energy	445.4	3.9	3.4	9.1	(0.5)	(4.5)	(0.8)	3.2
Financials	510.0	2.9	2.3	31.7	28.1	11.6	11.7	12.3
Real Estate	231.3	(2.5)	(2.8)	23.7	16.8	10.3	8.1	13.3

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	1.6	0.0	0.1	2.1	2.2	1.6	1.0	0.5
2-Year Treasury (%)	1.7	(0.1)	(0.1)	3.0	3.7	1.6	1.1	1.0
10-Year Treasury (%)	1.9	(0.9)	(1.1)	8.9	11.0	3.8	2.2	4.0
Barclays US Corporate High Yield	6.1	0.8	0.9	13.1	10.6	6.1	6.3	7.6
Bloomberg Barclays US Aggregate	2.4	(0.3)	(0.4)	8.4	9.5	4.1	3.0	3.6
Bloomberg Barclays Municipals		0.1	0.2	7.4	8.2	4.8	3.5	4.3
Bloomberg Barclays IG Credit	2.9	(0.3)	(0.3)	13.8	14.5	6.1	4.5	5.5
Bloomberg Barclays EM Bonds	5.0	0.5	0.5	12.0	12.5	6.0	5.8	6.6

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	59.2	(0.0)	1.8	31.1	15.9	3.9	0.5	(1.6)
Gold ($/Troy Oz)	1467.8	(0.6)	0.5	14.8	17.8	8.3	3.8	2.7
Dow Jones-UBS Commodity Index	79.1	1.2	2.5	3.1	(3.8)	(3.6)	(6.5)	(5.1)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	97.4	(0.0)	(0.9)	1.3	0.4	(1.2)	2.0	2.4
US Dollar per Euro	1.1	0.2	0.8	(2.7)	(2.2)	1.6	(2.3)	(2.7)
US Dollar per British Pounds	1.3	(0.3)	1.4	3.0	3.6	1.2	(3.5)	(2.1)
Japanese Yen per US Dollar	109.3	0.5	(0.2)	(0.4)	(3.5)	(1.8)	(1.6)	2.0

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	552.2	1.5	1.1	24.2	19.1	12.0	8.9	9.2
MSCI EAFE	1990.0	1.0	0.8	19.7	16.1	9.3	5.8	5.9
MSCI Europe ex UK	2079.8	1.5	1.0	22.9	18.7	11.0	6.1	5.9
MSCI Japan	3399.2	(0.5)	0.8	18.6	14.1	8.1	7.7	6.6
MSCI EM	1070.7	2.7	3.0	13.9	12.7	10.1	5.5	3.8
MSCI Asia ex JP	663.0	2.5	2.5	13.9	12.6	10.9	6.3	6.1
MSCI LATAM	2814.1	3.8	6.0	13.2	13.7	10.0	4.6	(0.8)
Canada S&P/TSX Composite	12846.8	0.5	(0.5)	18.3	14.6	3.5	4.3	4.0

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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