THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

“Do you hear me now? Good.” We can’t help but wonder if these were the words said by Alexander Graham Bell as he called his assistant Thomas Watson to complete the first transcontinental telephone call 105 years ago. The call from New York City to San Francisco (~2,500 miles) was a major technological milestone, as it allowed governments and businesses to communicate instantaneously across substantial distances for the first time. However, it is worth mentioning that this newly discovered ability was quite expensive, with a 3-minute coast-to-coast call costing $20.70, the equivalent of ~$520 (or about half the cost of a new iPhone) today! It also took another 12 years before the next major advancement, the transatlantic call, was successfully completed. Both of these facts are hard to imagine in today’s world, where we can contact anyone, anywhere, at anytime using mobile devices that are incessantly improved upon. We are grateful for all of these telecommunication innovations as they have allowed our views and thoughts on the economy and financial markets to be ‘heard from near and far!’ The anniversary of this specific, significant communication breakthrough provides a very timely backdrop for articulating our views this week.

Key Takeaways

Our Recession Alarm Bells Are Not Currently ‘Ringing’

The Call For Impeachment Will Likely Be ‘Blocked’

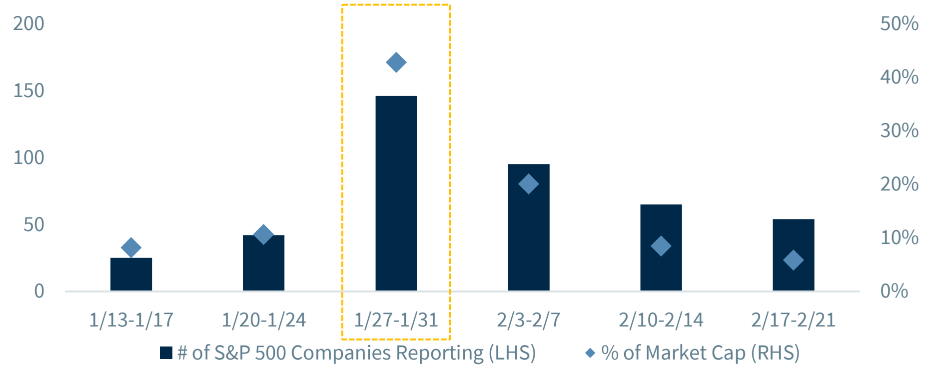
The Cyclical Sectors We Have On ‘Speed Dial’

- **Economic Data Drops Us A Line |** The record ‘long distance’ of the current economic expansion has notably been supported by a healthy labor market, steady consumer spending, and a rebound in global growth. As we assess whether the US economy has the scope to expand further, it is important to ‘keep in touch’ with economic fundamentals as well as our real-time leading indicators (e.g., trucking conditions, withholding taxes, jobless claims, etc.). While our recession alarm bells are not currently ‘ringing,’ there are a few developments and historical precedents that have the potential to put our positive outlook ‘on hold.’ For example, we continue to monitor the Leading Economic Indicators Index, which declined -0.3% in December, as it typically peaks ~13 months prior to a recession. Given that our current assessment of economic data remains overall positive, we are not ‘calling it quits’ on our expectation of relatively robust US economic growth in 2020 anytime soon.
- **Wires Crossed In Congress |** Our recent Investment Strategy Sentiment Survey revealed political risk as the top concern in the financial markets. As it relates to the looming presidential election, we certainly agree. Although Congressional gridlock remains the likely outcome, a lack of a clear Democratic frontrunner combined with heightened polarization across a number of key issues facing the country will amplify the importance of winning key swing states. However, when it comes to the impeachment trial, we believe the perceived risk is just ‘static.’ As anticipated, the hearing is proceeding across partisan lines with the Republican-controlled Senate ‘calling the shots’ and denying the 11 amendments regarding subpoenas to current and former Trump administration officials proposed by top Democratic leaders. We maintain our view that the two-thirds majority will fail to be reached, and the call for President Trump’s impeachment will be ‘blocked.’
- **Dialing In On Earnings Expectations |** Before the 4Q19 earnings season began, the S&P 500 earnings growth estimates were ‘dialed back’ ~3.8%, which translated to a decline of ~1.5% year-over-over. This week would have marked the start of the busiest two weeks of the season, but due to an unusually high number of delayed reports, it’ll now occur next week when ~43% of the S&P 500 market capitalization will disseminate results for the final quarter of 2019. For this same reason, it is no surprise that consensus forecasts have remained relatively stagnant (-0.03%) since the start of earnings season and that the percentage of companies beating estimates is currently trending below the 20-quarter average (71% versus 73%). But given the fact that ~77% of the market capitalization is yet to report, the final trends and observations from this important earnings season are 'too close to call.’ The results next week should serve as a ‘direct line’ to the forward guidance we hope confirms our forecast of an acceleration in earnings growth in 2020.
- **Not Hanging Up On These Cyclical Sectors |** From both an earnings and valuation perspective, we have maintained an overweight to more cyclically-oriented sectors such as Information Technology and Communication Services. Our optimism is driven by robust technology-related fixed investment, strong dividend and buyback yields, large cash stockpiles, and of course the debut of 5(G)! The steady adoption of 5(G) across the globe has the potential to be a multi-year catalyst for both of these sectors in particular, so we will be keeping them both on ‘speed dial.’

CHART OF THE WEEK

Busy Week Of Earnings Ahead

~43% of the S&P 500 market capitalization will report earnings next week, which should provide us with a ‘direct line’ to the forward guidance we hope confirms our forecast of an acceleration in earnings growth in 2020.



*See Charts of the week on page 3.

ECONOMY

- The Index of Leading Economic Indicators fell 0.3% in December, partly reflecting a temporary increase in jobless claims (difficulties in adjusting for the late Thanksgiving appear to have shifted some claims into December, and claims have fallen back in January).* The LEI has fallen in four of the last five months, but the downtrend has been relatively modest. The three-month average of the Chicago Fed National Activity Index remained below zero, consistent with below-trend growth in the near term.*
- In its World Economic Outlook, the IMF said it expects global output to rise to 3.3% in 2020 and 3.4% in 2021 (vs. about 2.9% in 2019). Growth expectations were lowered from projections made in October and risks were still seen as weighted to the downside.
- **Focus of the Week:** The Conference Board's Consumer Confidence Index and the University of Michigan Consumer Sentiment Index are expected to remain elevated in January, with no discernable impact from the impeachment proceedings or noise from Washington. The Fed will hold its January FOMC meeting on Tuesday and Wednesday and is widely expected to leave short-term interest rates unchanged and to give no indication of possible future moves. Investors may be more interested in the Fed's efforts to support liquidity in the money markets. Real GDP is expected to have risen moderately in the advance estimate for 4Q19 (estimate 1.6%). Slower inventories should subtract from overall growth, while a narrower trade deficit will add. Investors should focus on the key components, consumer spending and business fixed investment, which are expected to have been mixed.

January 27 – January 31

MON New Home Sales (Dec)

TUE Durable Goods Orders (Dec)
Consumer Confidence (Jan)

WED FOMC Policy Statement
Powell Press Briefing
Advanced Economic Indicators (Dec)

THU Real GDP

FRI Personal Income
Consumer Sentiment

FUTURE EVENTS 2/3 ISM Manufacturing Index (Jan)
2/5 ISM Non-Manufacturing Index (Jan)
2/7 Employment Report (Jan)

US EQUITY

- The reaction to earnings has been fairly muted so far, and earnings 'surprises' have been in line with Q1-Q3. If this trend continues, Q4 earnings growth should finish closer to 2% (vs -1.5% currently). Q4 earnings season really picks up steam over the next week, and we are interested to hear from certain sectors and stocks.* For example, Technology has seen 23% P/E expansion since the end of September; and while earnings estimate revisions have been very stable, it will be important for these companies to meet (or exceed) expectations in order to sustain their price momentum (i.e., 'bar is set high'). On the flip side, Industrials and Consumer Discretionary sectors have seen worse estimate revisions in the lead up to results than in Q1-Q3, which has weighed on their relative performance. These sectors have seen less P/E expansion than the overall market (S&P 500), and we are interested to hear whether the market was right in expecting worse results or whether the 'bar is low' for surprises to the upside.
- **Focus of the Week:** We have an overweight recommendation on the Industrials sector, and would like to hear that the manufacturing outlook is improving for 2020 (supporting expectations). Additionally, we would expect fewer tariff-related headwinds and a solid consumer to provide support to the average Consumer Discretionary stock. Finally, we are expecting solid earnings results from the Health Care sector, and valuation remains attractive in our view.

FIXED INCOME

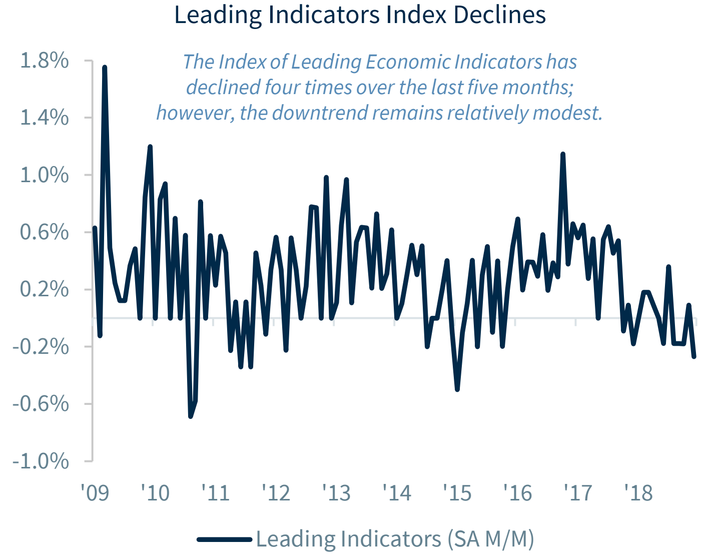
- The 10-year Treasury note closed 2019 at a yield of 1.91%, and has since traded down to its current 1.72% as inflation measured by the Core PCE still hovers around 1.6% (well below the Fed's 2% target) and geopolitical risks have increased from a number of sources (e.g., Middle East unrest, China's coronavirus), which has pushed investors back into the flight-to-safety mode.*
- **Focus of the Week:** EM investment-grade debt has been dropping in yield for several months now. Inflows have continued to soar and the prices of Mexican and Brazilian dollar-denominated EM debt have moved higher.* Brazil has contained inflation and has positive real economic growth which is helping to push yields lower and prices higher. Mexico is also seeing strong inflows into its debt which is consistent with their improving economic conditions. We still see this as an attractive part of the fixed income world.

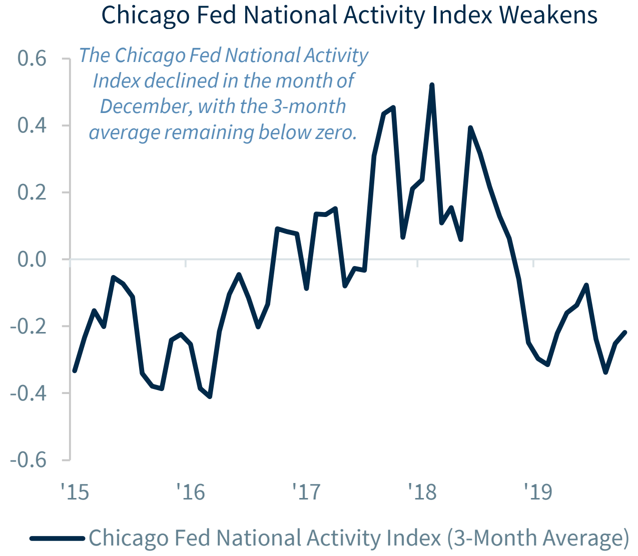
INTERNATIONAL, POLITICAL & COMMODITIES

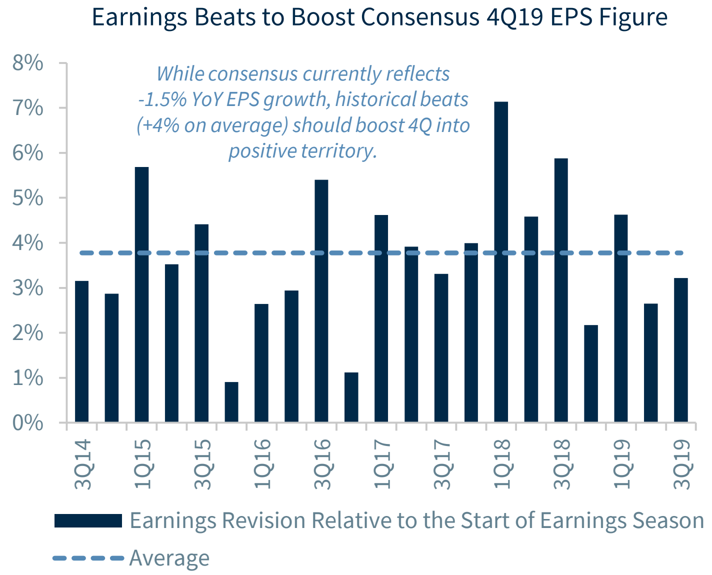
- The Trump administration is accelerating negotiations with the EU which could see increased volatility around the threat of additional tariffs. The threat of auto tariffs has re-emerged from President Trump at this week's World Economic Forum meetings, but the EU continues to have an optimistic outlook on the prospects of negotiations. Although Trump continues to refer to the EU as 'worse than China' on trade issues, there is likely little appetite to implement substantial additional tariffs in an election year.
- Worries about a new coronavirus intensified following the Centers for Disease Control activating its emergency operations center, the World Health Organization calling an emergency meeting, and news breaking of the first case of the virus in the US. If this becomes a bigger issue wherein a government supplemental funding bill comes out (like we saw for pandemic flu and Ebola), then it could be a positive for those companies believed to have potential tie to treatment or prevention of this disease, but we are a long way from that. At the moment it is doubtful that the US government will pass funding to address this issue in the near term.
- The European Central Bank press conference saw no formal policy change, with ECB president Christine Lagarde indicating some minor regional economic improvement due to the phase one trade deal between the United States and China plus the impact of internal euro zone regional factors including higher employment. Prospective hope still rests on this year's policy and the potential use of fiscal and structural reform instruments, particularly in Germany and France, respectively.
- **Focus of the Week:** Oil prices were under pressure this past week amid widespread negative headlines about China's coronavirus outbreak. It is too early at this stage to quantify any substantive impact on Chinese (or broader) energy demand, but there is no escaping the fact that oil market sentiment has worsened somewhat.* The virus headlines more than canceled out any uplift oil may have received from last weekend's shutdown of a major pipeline in Libya, amid renewed fighting by General Haftar's militia.

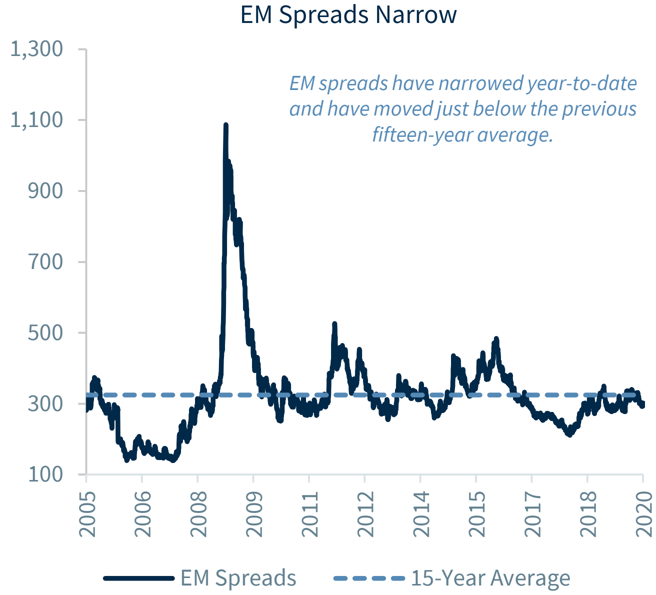
*See Charts of the week on page 3.

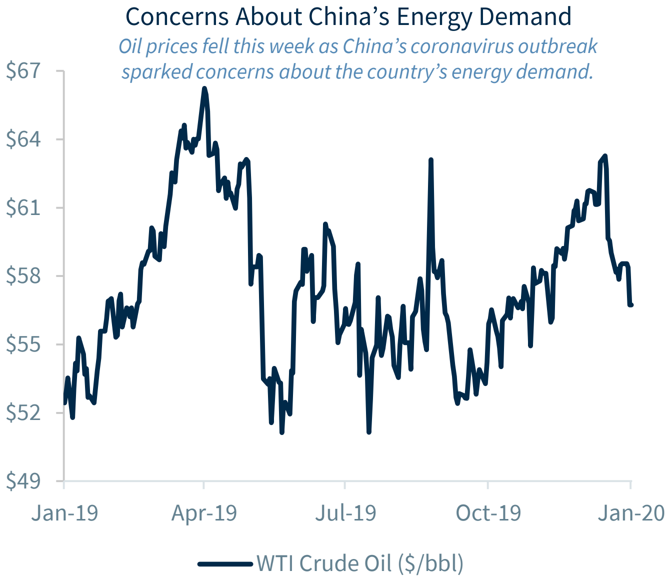
Charts of the Week











Asset Class Performance | Distribution by Asset Class and Style (as of January 23)

Weekly Returns (as of January 23)

US Equities (S&P indices)

	Value	Blend	Growth
Large Cap	-0.1%	0.3%	0.6%
Mid Cap	-0.1%	0.0%	0.2%
Small Cap	-1.4%	-1.2%	-1.0%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	-0.4%	-0.1%	-1.5%
Mid Cap	-0.2%	0.0%	-0.7%
Small Cap	-0.3%	-0.6%	-0.2%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	0.4%	0.7%
Invest. Grade	0.1%	0.4%	0.5%
High Yield	-0.1%	-0.2%	-0.1%

Year-to-Date Returns (as of January 23)

US Equities (S&P indices)

	Value	Blend	Growth
Large Cap	1.0%	3.1%	5.1%
Mid Cap	1.5%	2.7%	4.4%
Small Cap	-0.8%	1.0%	2.8%

International Equities (MSCI indices)

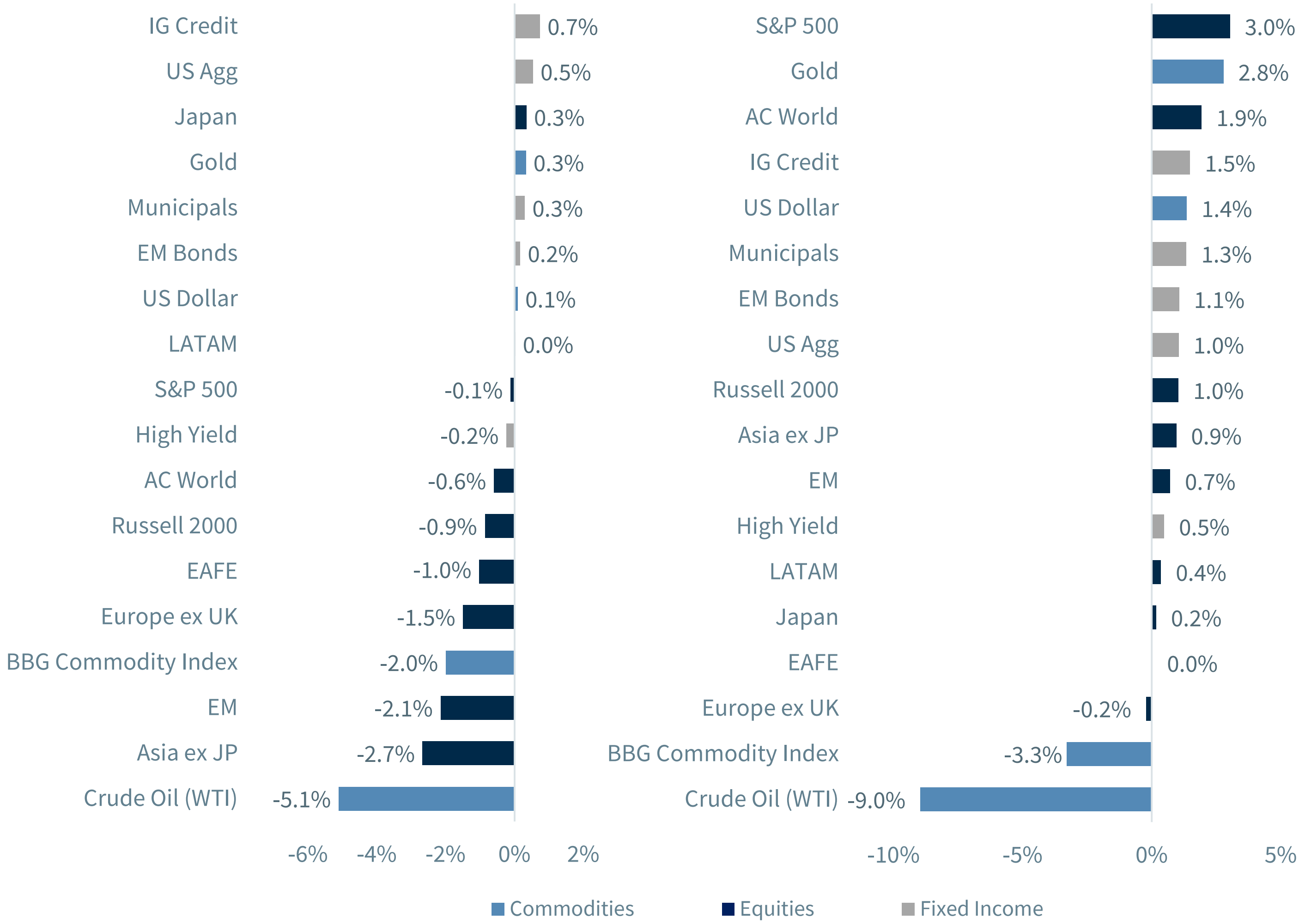
	Dev. Mkt	World	Emerg. Mkt
Large Cap	1.2%	2.4%	1.0%
Mid Cap	1.1%	2.2%	2.3%
Small Cap	0.4%	1.1%	2.1%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.1%	0.7%	1.7%
Invest. Grade	0.3%	0.7%	1.1%
High Yield	0.5%	0.4%	1.6%

Asset Class Performance | Weekly and Year-to-Date (as of January 23)

Week-to-Date*** Year-to-Date***



**Weekly performance calculated from Thursday close to Thursday close.

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

RAYMOND JAMES

Weekly Data**

Data as of January 23

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	3325.5	0.3	3.0	3.0	28.6	15.9	10.8	15.8
DJ Industrial Average	29160.1	(0.5)	2.2	2.2	18.7	19.3	12.6	16.1
NASDAQ Composite Index	9402.5	0.5	4.8	4.8	33.8	19.9	13.1	19.0
Russell 1000	3533.9	0.3	3.1	3.1	31.4	15.0	11.5	13.5
Russell 2000	4187.7	(1.2)	1.0	1.0	25.5	8.6	8.2	11.8
Russell Midcap	6274.9	0.0	2.7	2.7	30.5	12.1	9.3	13.2

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	377.9	(1.1)	(2.1)	(2.1)	17.7	7.7	6.8	9.4
Industrials	707.9	(0.5)	3.0	3.0	24.7	11.5	10.4	13.7
Comm Services	190.5	0.6	5.1	5.1	31.2	6.4	8.7	11.0
Utilities	346.1	2.8	5.4	5.4	31.0	16.0	10.6	12.8
Consumer Discretionary	1004.1	0.1	1.8	1.8	22.1	16.1	13.9	17.7
Consumer Staples	657.7	0.5	1.8	1.8	25.5	10.0	8.2	12.4
Health Care	1213.6	(0.3)	2.3	2.3	19.2	16.7	10.0	14.8
Information Technology	1718.9	1.5	6.7	6.7	54.3	29.0	21.7	18.9
Energy	434.8	(3.7)	(4.7)	(4.7)	(1.1)	(4.0)	(2.2)	3.0
Financials	511.0	(0.4)	0.1	0.1	22.4	12.4	12.0	12.4
Real Estate	248.7	1.4	3.5	3.5	26.9	12.7	7.7	14.6

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	1.5	0.0	0.1	0.1	2.1	1.6	1.0	0.6
2-Year Treasury (%)	1.5	0.1	0.2	0.2	3.5	1.6	1.2	1.1
10-Year Treasury (%)	1.7	0.7	1.7	1.7	11.1	4.0	2.0	4.1
Barclays US Corporate High Yield	5.9	(0.2)	0.5	0.5	10.8	6.2	6.2	7.5
Bloomberg Barclays US Aggregate	2.2	0.4	1.0	1.0	9.6	4.2	3.0	3.7
Bloomberg Barclays Municipals		0.3	1.3	1.3	8.6	5.0	3.5	4.4
Bloomberg Barclays IG Credit	2.7	0.7	1.5	1.5	15.0	6.2	4.5	5.5
Bloomberg Barclays EM Bonds	4.8	0.1	1.1	1.1	11.8	6.0	6.0	6.6

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	55.6	(5.0)	(9.0)	(9.0)	6.0	1.8	4.1	(2.9)
Gold ($/Troy Oz)	1562.9	0.5	3.2	3.2	22.1	8.8	3.8	3.7
Dow Jones-UBS Commodity Index	78.2	(1.7)	(3.3)	(3.3)	(2.3)	(4.1)	(5.0)	(5.3)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	97.7	0.4	1.4	1.4	1.6	(0.8)	0.6	2.2
US Dollar per Euro	1.1	(0.9)	(1.6)	(1.6)	(2.9)	0.9	(0.4)	(2.4)
US Dollar per British Pounds	1.3	0.4	(1.0)	(1.0)	0.4	1.7	(2.7)	(2.0)
Japanese Yen per US Dollar	109.4	(0.7)	0.6	0.6	(0.2)	(1.1)	(1.5)	2.0

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	575.7	(0.2)	1.9	1.9	23.4	13.0	9.3	9.8
MSCI EAFE	2036.5	(0.6)	0.0	0.0	17.6	9.3	6.0	6.1
MSCI Europe ex UK	2123.5	(1.0)	(0.2)	(0.2)	20.3	10.4	6.5	6.4
MSCI Japan	3443.0	0.7	0.2	0.2	15.7	8.3	7.8	6.1
MSCI EM	1122.2	(1.6)	0.7	0.7	14.3	10.6	5.4	4.4
MSCI Asia ex JP	694.7	(2.2)	0.9	0.9	15.6	11.7	6.2	6.7
MSCI LATAM	2925.0	1.4	0.4	0.4	7.0	8.6	4.6	0.2
Canada S&P/TSX Composite	13404.7	0.8	3.3	3.3	15.9	4.4	3.6	4.5

**Weekly performance calculated from Thursday close to Thursday close.

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.

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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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