THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Key Takeaways

Fed Will 'See Results' from 2019's Insurance Rate Cuts

'Countdown' to US Presidential Election Begins

Earnings Growth Brought Back Into 'Focus'

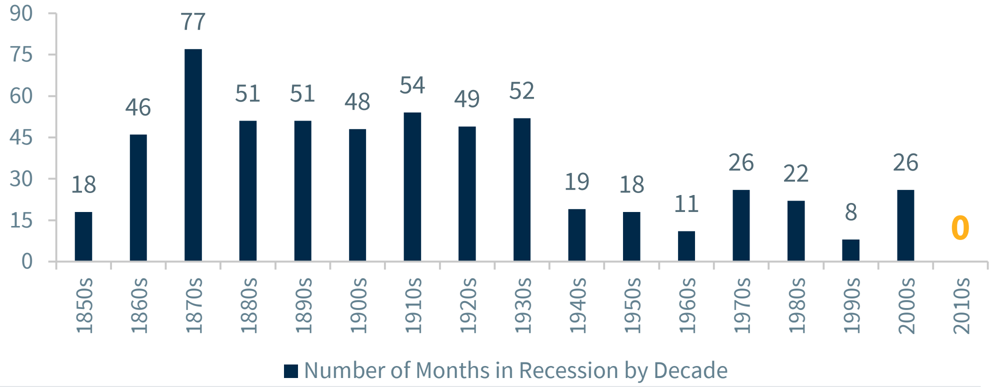
Happy New Year! Following the overindulgence of the holiday season, the new year provides us with the opportunity for a fresh start as we set our resolutions for the months to come. While some of same themes seem to reoccur each year (i.e., living a more active, healthy lifestyle), the act of setting specific, achievable intentions requires us to be creative, aware, and mindful. Ironically, this is exactly the same approach our team of economists, strategists, and portfolio managers sought to take as we crafted our forecasts for the new year. Our most important goal has, and will continue to be, providing clear, concise views on the US economy and various asset classes so that investors can be successful in 2020 and all the years that follow.

- **US Economy Will Continue to Break New Ground |** At 127 months, the current economic expansion is the longest on record. But the more things change, the more they stay the same, and the state of the economy is still of the utmost importance when evaluating the return potential of the major asset classes. We forecast that US GDP growth will be moderate at 1.7%, but that a resilient labor market and robust consumer spending will uphold the expansion at least through the presidential election. Although it is rare for recessions to begin in an election year, multiple dynamics will cause us to sharpen our pencils when assessing our economic outlook post-election. Our real-time indicators suggest a small probability of recession over the next twelve months, so closely monitoring them will be crucial should the economy's ground-breaking run start to halt.
- **Fed Will See Their Efforts Bear Fruit |** In 2019, the Federal Reserve (Fed) took action in the form of three 'insurance' rate cuts to support US economic outlook when trade tensions and slowing global economic growth started to spark concern. Those actions recalibrated Fed policy, with Chair Powell since signaling that rates would be on hold unless incoming data or global developments revived recessionary fears. The results of the Fed's patient, thoughtful decisions last year will likely be seen in 2020, as the effects of monetary policy tend to lag. Given that the Fed now has limited ammunition with the fed funds target rate at 1.50-1.75%, we do not anticipate interest rates being altered this year.
- **New Year, New President? |** As we begin to fill out our 2020 calendars, November 3 is a date every investor will be sure to note. Congressional gridlock (Republican Senate, Democratic House) is the likely outcome, but elevated uncertainty is at the top of the ticket. Since no Democratic candidate has maintained a clear, consistent lead in the polls, the determination of the nominee may last well into the summer and may lead to a brokered convention – the first for the Democratic Party since 1952. Positive economic data has historically led to a favorable outcome for the incumbent, but given the level of division across the country, the election may ultimately be determined by two key swings states: Pennsylvania and Wisconsin.
- **Bond Market Unlikely to Turn Over a New Leaf |** Global yields and spreads will likely remain lower for longer, which will reduce the upside return for the bond market overall. More moderate US growth, muted inflation, strong international demand, and favorable demographics lead us to believe that the 10-year Treasury yield will not move significantly over the next twelve months (year-end target: 1.75%). We expect credit market spreads will widen slightly, but will not negate the positive performance of our favored fixed income sectors: investment-grade and emerging market bonds.
- **Renewed Focus on Earnings Growth |** As 2019 US equity performance was driven largely by P/E expansion, 2020 should renew the emphasis on earnings growth, which we forecast at ~5-6%.* The macroeconomic backdrop, easing financial conditions, low interest rates, and positive seasonality trends related to the presidential cycle combined with this reacceleration in earnings growth helped us formulate our base case that the S&P 500 will rally to ~3,350 by year-end.
- **Some Resolutions Are Hard to Stick to |** In addition to health and happiness, we hope that investors are successful in reaching all of their goals for the new year. But one resolution that may be more difficult than others is less time in front of screens, as the highly anticipated rollout of 5G will make our mobile devices faster and more capable than ever before! The transition to 5G is the largest enhancement in wireless technology in a decade, and the increased demand for speed, storage, software and applications will directly benefit one of our favorite sectors, information technology, in the new year.

CHART OF THE WEEK

A Decade Of Prosperity

The current economic expansion has notched a record 127 months, making the 2010s the only decade since at least the 1850s to not experience one month of a recession.



*See Charts of the week on page 3.

RAYMOND JAMES

ECONOMY

- The ISM Manufacturing Index unexpectedly fell further into contraction in December, with new orders, production, and employment declining for the fifth consecutive month.* While December is not a critical month from manufacturing, the report dampens some of the enthusiasm related to the "Phase One" trade deal with China.
- Vehicle sales in 2019 have been strong as US consumers spent a record $462 billion on new vehicles, up $8.4 billion from 2018.
- The ISM Non-Manufacturing Index is expected to remain consistent with moderate growth in the overall economy. Note that there is often extra noise in the data in December and January.
- **Focus of the Week**: The December employment report will be released Friday (January 10) and is expected to reflect a continuation of tight labor market conditions.* However, keep in mind that the figures will be subject to seasonal noise given the holiday season. It is expected that the US economy added 160k jobs in the month of December and the unemployment rate remained at the lowest level (3.5%) since 1969. Prior to seasonal adjustment, we will likely lose construction and education jobs, but gain jobs in retail and deliveries.

January 6 – January 10

MON

TUE ISM Non-Manufacturing Survey

WED ADP Payrolls

THU Jobless Claims

FRI Employment Report

FUTURE EVENTS
1/15 Producer Price Index
1/15 Fed Beige Book
1/16 Retail Sales

US EQUITY

- 2019 was a great year for equity markets by all accounts (S&P 500: 31.5% total return), as trade progress and central bank easing provided a tailwind to valuation multiples through the sluggish economic and earnings backdrop. Headwinds from trade have abated, as a "Phase One" US/China trade deal is due to be signed in DC on January 15. After which, discussions on "Phase Two" are set to begin immediately. Expect President Trump to do enough to support the economy and market into his 2020 re-election campaign, even if it means 'kicking the can down the road' on the more difficult, structural issues between the two countries.
- The tailwinds of central bank easing in 2019, along with dampened trade tensions, are likely to support improved global economic conditions in 2020. We believe the consumer is on solid footing, and expect that global manufacturing trends should improve in 2020. These factors should support further upside for the equity market over the next 12 months.
- **Focus of the Week:** The S&P 500 is a little extended in the short term (about 8.5% above its 200 day moving average), and a pause or normal consolidation would be healthy for the index to digest its strong gains to end 2019.* That said, intermediate term momentum remains solid. We believe pullbacks are likely to be light and should be used as buying opportunities. In the event of a pause or consolidation period with rolling sector rotation beneath the surface, we would look to accumulate favored sectors and stocks (i.e. Technology, Communication Services, Health Care, Financials, and Industrials).

FIXED INCOME

- 2019 was a remarkable year for fixed income, as the Barclays Aggregate Index posted its strongest annual gain (+8.2%) since 2002.* The rally in fixed income was broad-based, as Treasuries (particularly longer-duration bonds) rallied on the back of the sharp decline in interest rates and credit related sectors rallied on the back of solid domestic fundamentals (with minimal risk of recession) and the risk asset rally as both investment-grade and high-yield spreads rallied to nearly cyclical lows.
- The driving forces of 2019 (lack of inflation and central bank accommodative policies) will spill into the start of the 2020 bond market keeping interest rates in a tight range. When interest rates move up, sidelined money will engage and thus inhibit rates from running too high. In addition, domestic rates will continue to be stifled by the global interest rate disparity. As a result, we do not expect a sharp move in interest rates in either direction, and forecast the 10-Year Treasury yield to be 1.75% by year-end 2020.
- **Focus of the Week:** People's Bank of China is poised to release $115 billion of liquidity into the financial markets resulting from lowering required reserves. As this is consistent with our theme that global central banks will remain accommodative throughout 2020, further easing by global central banks should limit the rise in global interest rates.

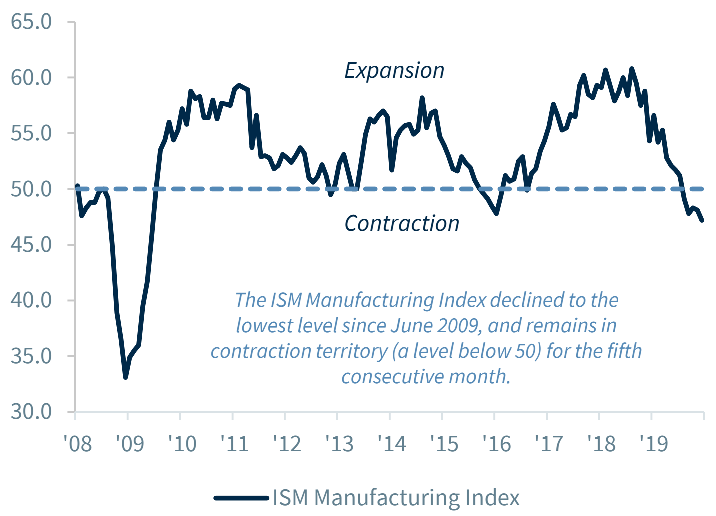
INTERNATIONAL, POLITICAL & COMMODITIES

- President Trump has clearly elevated foreign policy as a priority for his first term as he looks for additional accomplishments heading into the general election campaign. As "Phase One" of the China trade deal is wrapped up, attention may turn to other regional 'negotiations' and the pressure tactics that have become the preferred Trump negotiating tool. This may come in the form of renewed threats or more significant escalation with Iran or North Korea. Additionally, trade relations with the EU, which threaten to become the China of 2020, may carry escalation potential over the next few months as there are several high-profile outstanding issues (Airbus dispute, France's digital services tax, and auto tariffs).
- French President Emmanuel Macron said he "will not give in to pessimism or paralysis" on the issue of pension reform, which has led to widespread (and ongoing) strikes that have impacted the country. The reaction from French hardline union CGT was to call for more strikes this month. For structural reform and related issues in the euro zone, this dispute represents a big test.
- The sudden US strike against a top Iranian general marks the most serious escalation in US/Iran relations since the US withdrawal from the multilateral nuclear agreement in 2018. While there is no immediate, direct impact on oil supply, events such as this have the effect of raising the geopolitical risk premium in oil prices.* We will need to watch how Iran responds, and whether its retaliation might lead to an actual supply disruption: whether from Iran itself, or Saudi Arabia, or any other country.
- **Focus of the Week:** A US strike in Iraq that killed top Iranian general Qasem Soleimani is a significant escalation in tensions that will be watched for retaliatory actions in the days and weeks ahead. Markets have reacted to the near-term spike in uncertainty, but at this stage it is difficult to discern where the latest flare-up will lead as the situation remains fluid. This is the latest example of President Trump's maximum pressure campaign against Iran, but a departure from has traditionally nonmilitary approach, possibly marking a significant longer term shift in US/Iran tensions.

*See Charts of the week on page 3.

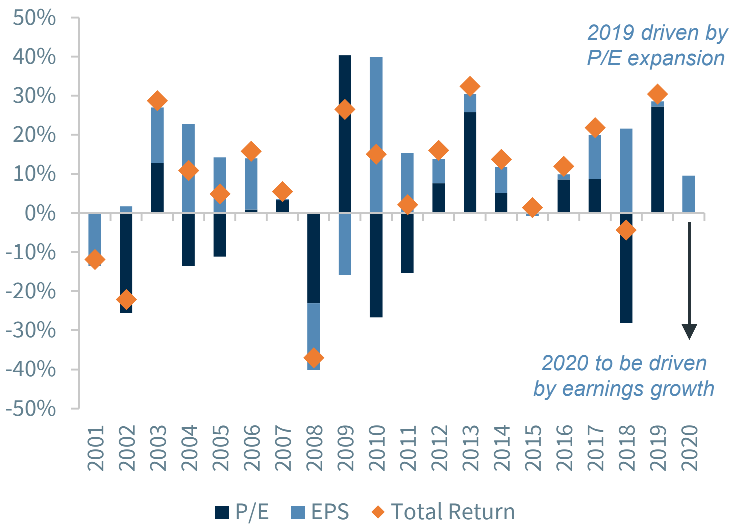
Charts of the Week

ISM Manufacturing Index Falls

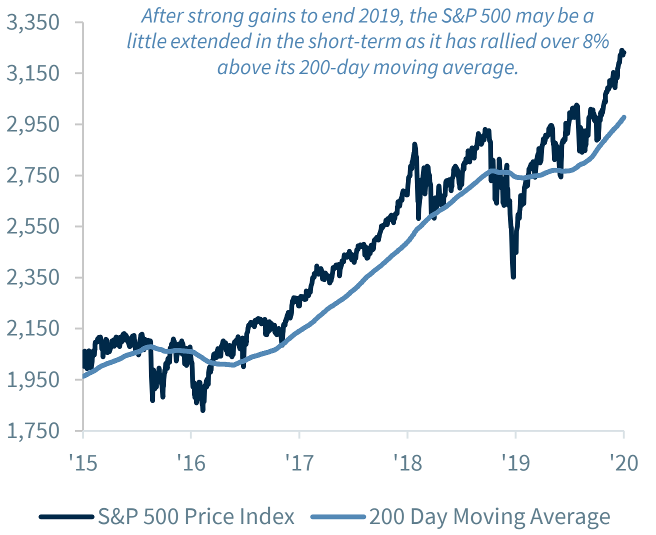


Employment in Focus

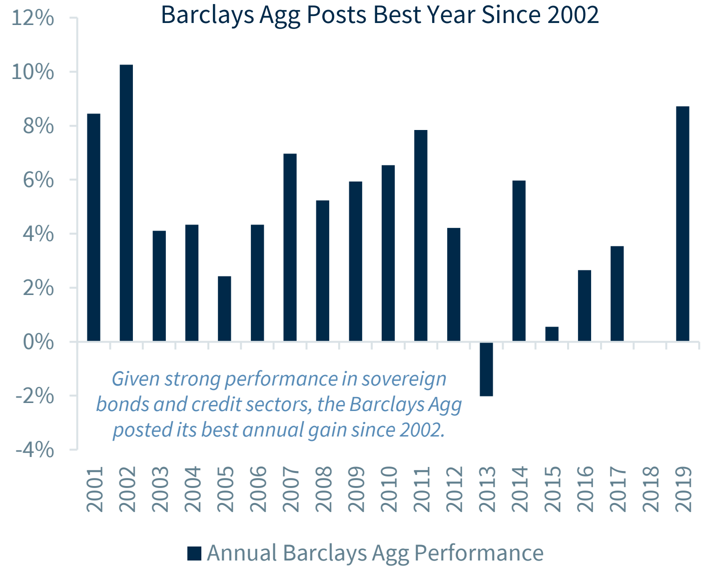
S&P 500 2019 Performance Driven by P/E Expansion



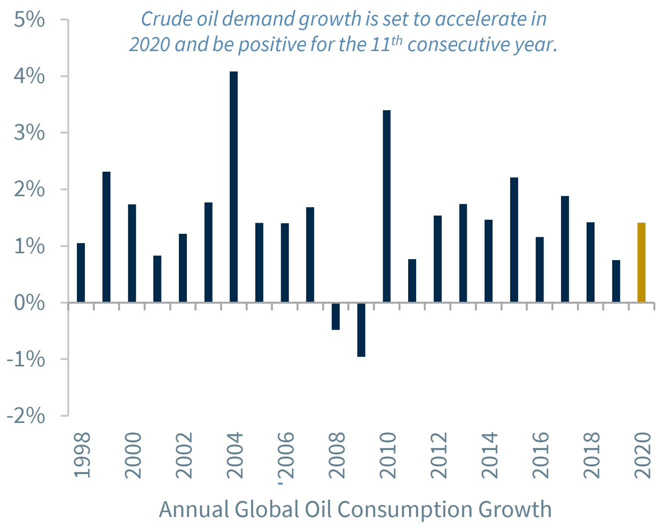
S&P 500 Well Above 200 Day Moving Average



Barclays Agg Posts Best Year Since 2002



Oil Demand Set to Accelerate in 2020



Asset Class Performance | Distribution by Asset Class and Style (as of January 2)

Weekly Returns (as of January 2)

US Equities (S&P indices)	Value	Blend	Growth
Large Cap	0.2%	0.6%	0.9%
Mid Cap	0.0%	0.2%	0.3%
Small Cap	0.3%	0.3%	0.3%

International Equities (MSCI indices)	Dev. Mkt	World	Emerg. Mkt
Large Cap	-0.3%	0.3%	0.6%
Mid Cap	-0.4%	0.2%	1.1%
Small Cap	-0.1%	0.1%	1.4%

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

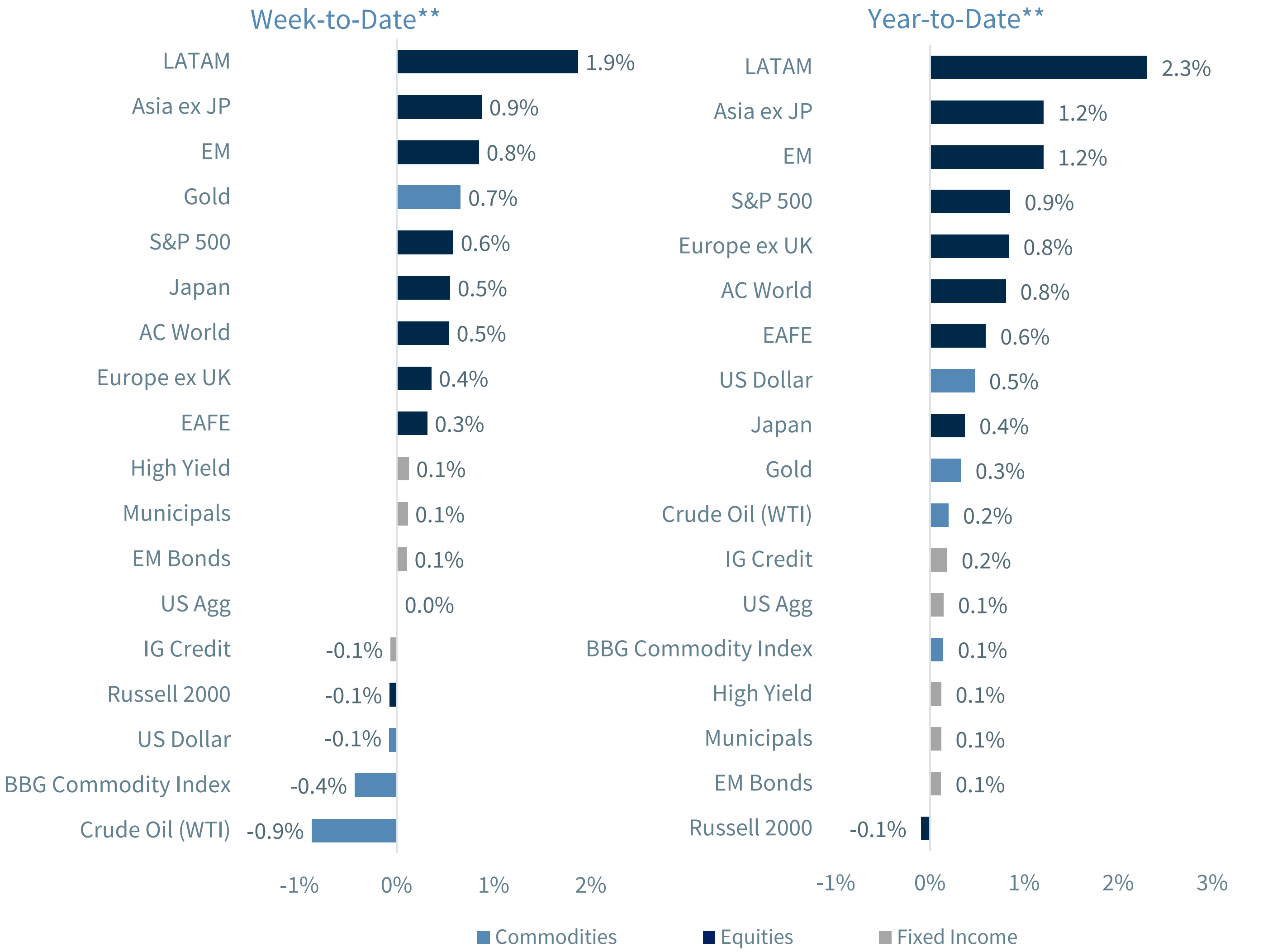
Year-to-Date Returns (as of January 2)

US Equities (S&P indices)	Value	Blend	Growth
Large Cap	0.3%	0.9%	1.3%
Mid Cap	-0.2%	0.1%	0.4%
Small Cap	-0.2%	0.0%	0.2%

International Equities (MSCI indices)	Dev. Mkt	World	Emerg. Mkt
Large Cap	0.7%	0.9%	1.3%
Mid Cap	0.6%	0.5%	1.0%
Small Cap	0.7%	0.3%	1.0%

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

Asset Class Performance | Weekly and Year-to-Date (as of January 2)



**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 January 2

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	3257.9	0.6	0.9	0.9	32.4	15.6	10.8	15.8
DJ Industrial Average	28868.8	0.9	1.2	1.2	23.7	19.3	12.6	16.1
NASDAQ Composite Index	9092.2	0.8	1.3	1.3	36.4	19.9	13.1	19.0
Russell 1000	3457.7	0.6	0.8	0.8	31.4	15.0	11.5	13.5
Russell 2000	4142.3	(0.6)	(0.1)	(0.1)	25.5	8.6	8.2	11.8
Russell Midcap	6131.2	0.2	0.3	0.3	30.5	12.1	9.3	13.2

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	381.1	(1.1)	(1.2)	(1.2)	22.5	9.1	6.8	9.0
Industrials	700.1	1.3	1.8	1.8	31.1	11.4	9.9	13.6
Comm Services	184.0	0.3	1.3	1.3	32.8	5.1	8.1	9.8
Utilities	323.8	(0.6)	(1.4)	(1.4)	26.8	13.3	9.9	11.6
Consumer Discretionary	999.0	0.8	1.3	1.3	28.4	17.1	13.6	17.3
Consumer Staples	641.7	(0.8)	(0.8)	(0.8)	27.1	9.6	8.2	12.0
Health Care	1190.4	(0.1)	0.2	0.2	22.7	16.3	10.3	14.8
Information Technology	1639.1	1.6	1.8	1.8	52.8	28.3	20.7	17.7
Energy	460.3	0.7	0.8	0.8	10.5	(2.9)	(1.8)	3.4
Financials	516.2	0.7	0.9	0.9	32.4	12.3	11.4	12.4
Real Estate	237.1	(0.3)	(1.3)	(1.3)	30.3	11.3	8.1	13.3

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	1.5	0.0	0.0	0.0	2.2	1.6	1.0	0.5
2-Year Treasury (%)	1.6	0.1	(0.0)	(0.0)	3.3	1.6	1.2	1.1
10-Year Treasury (%)	1.9	0.2	0.2	0.2	8.9	3.7	2.3	4.2
Barclays US Corporate High Yield	6.0	0.2	0.1	0.1	14.4	6.4	6.2	7.6
Bloomberg Barclays US Aggregate	2.3	0.2	0.1	0.1	8.7	4.1	3.0	3.8
Bloomberg Barclays Municipals		0.2	0.1	0.1	7.5	4.8	3.5	4.4
Bloomberg Barclays IG Credit	2.9	0.2	0.2	0.2	14.5	6.0	4.6	5.6
Bloomberg Barclays EM Bonds	4.8	0.3	0.1	0.1	13.2	6.1	5.9	6.6

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	61.2	(1.0)	0.1	0.1	32.0	4.4	3.1	(2.6)
Gold ($/Troy Oz)	1527.1	3.0	0.8	0.8	19.0	10.0	5.4	3.5
Dow Jones-UBS Commodity Index	81.0	(0.3)	0.1	0.1	5.2	(2.5)	(4.9)	(5.3)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	96.8	(0.7)	0.5	0.5	0.0	(1.8)	1.2	2.2
US Dollar per Euro	1.1	0.9	(0.2)	(0.2)	(1.4)	2.0	(1.4)	(2.4)
US Dollar per British Pounds	1.3	1.4	(0.5)	(0.5)	4.6	2.2	(3.0)	(2.0)
Japanese Yen per US Dollar	108.3	(1.2)	(0.4)	(0.4)	(0.9)	(2.5)	(2.1)	1.5

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	569.7	0.8	0.8	0.8	28.6	13.4	9.2	9.5
MSCI EAFE	2049.0	0.9	0.6	0.6	24.2	10.3	6.5	6.1
MSCI Europe ex UK	2147.2	1.1	0.8	0.8	27.9	11.6	7.0	6.1
MSCI Japan	3449.9	0.8	0.4	0.4	20.1	9.4	8.2	6.9
MSCI EM	1128.0	1.6	1.2	1.2	21.6	12.4	6.3	4.2
MSCI Asia ex JP	696.6	1.8	1.2	1.2	22.1	13.5	7.0	6.5
MSCI LATAM	2983.7	1.7	2.3	2.3	16.2	12.0	5.7	(0.1)
Canada S&P/TSX Composite	13173.6	(0.5)	0.2	0.2	19.2	3.8	3.0	3.8

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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