THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Daylight Saving Time begins Sunday, and while we gain daylight hours, we lose an hour of sleep – something we need after witnessing four 2%+ daily swings this week. In fact, the Dow's cumulative point move over the last five days exceeded 4,580 points! Volatility will persist until we get more clarity around the pace of contagion and the potential impact on the US economy – which could take time. Patience, not panic, is essential in order to make well-informed decisions. 'Rest assured,' we will 'work around the clock' to assess the true economic and financial implications of the coronavirus as they 'come to light' and determine the subsequent impact to our outlook. This week, we raised the downside risk to our 2020 GDP forecast (1.8%) and lowered our year-end S&P 500 target (to 3,256 from 3,400). As the situation is fluid, below is some perspective on the week's events.

Key Takeaways

A Proactive Rate Cut To Keep Economy From 'Falling Back'

Equity Market Still 'Restless' Due To Coronavirus Fears

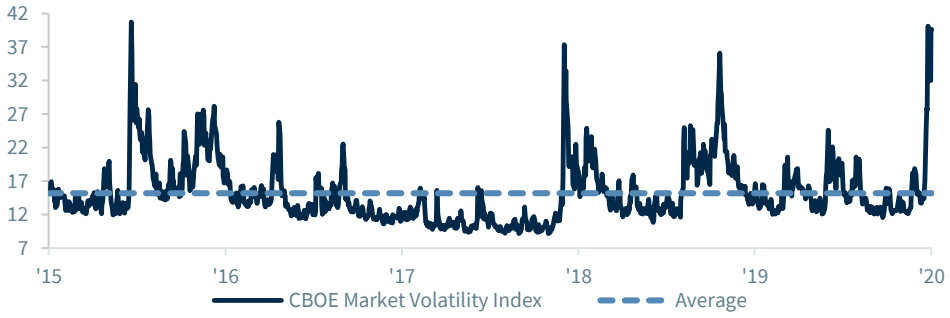
Diversification Should Help Investors 'Sleep Soundly'

- **Fed Seeks To Keep The US Economy 'Awake' |** The Federal Reserve's surprise inter-meeting interest rate cut substantiated our belief that it would be proactive in extending the longest US economic expansion in history. The move caught investors off guard, as it was the first emergency rate cut since 2008, and it was larger than expected, 50 basis points versus 25. Since much of the recent US economic data is from prior to the escalation of the virus headlines, a deterioration in economic data from other countries (e.g., China's Manufacturing and Non-Manufacturing PMI Indices at historic lows) and the continued rise in cases inside and outside of China was evidence enough for the Fed to justify preemptively acting now rather than being late and falling behind the curve. While the Fed and other global central banks (e.g., China, Australia, Canada, etc.) have taken actions to keep their economies from 'falling back,' policymakers remain 'alert' that the next phase of stimulus may very well have to be fiscal stimulus in the form of tax cuts or spending initiatives. Policymakers are in a 'race against the clock' to shore up consumer and business confidence to avoid a self-fulfilling recession.
- **The Equity Market Is 'Tossing And Turning' |** We wish we could 'spring forward' and pinpoint when the coronavirus-related volatility will become more subdued, but our expectation is that the peak of the virus impact will occur in the first half of this year. Due to prolonged global supply chains disruptions, demand destruction around the globe as fears intensify, and the fact that ~40% of S&P 500 revenues are derived overseas, we lowered our full-year 2020 earnings estimate to $167 (from $174) with the reductions weighted specifically to H120 results.* Based on our belief that a recovery will occur in the latter half of the year our 19.5x P/E trailing multiple is unchanged, resulting in a revised 2020 S&P 500 price target of 3,256. One factor that should help 'spring' equities to this target is more attractive valuations, especially on a relative basis. The current P/E of 18.1x is slightly below the 5-year average of 18.3x. With record low US Treasury yields, 76% of S&P 500 companies now have a higher dividend yield than that of the 10-year Treasury (0.75%). These dynamics should support the continuation of the second longest US bull market that celebrates its eleventh anniversary Monday (March 9). Incidentally, the recent 11% pullback in the S&P 500 is a small fraction of the performance earned since 2009 (462% cumulative total return).
- **Yields 'Losing Sleep' Over Possible Pullback |** The uncomfortable, speedy decline in the equity market from recent highs (S&P 500 down 11% as of March 5) is not dissimilar from the average peak to trough decline of 14% experienced by the S&P 500 over the last 40 years, but the precipitous decline in bond yields is. The ~90 bps decline in the 10-year Treasury yield to record lows is the largest 15-day decline since 2008. This reflects a market pricing in mounting pressures of a recession, a severe one at that. The US should be able to weather the storm, but should a recession occur we expect it would be brief and lead to a robust 2nd half rebound. If our scenario is accurate, yields at current levels may be overestimating the slowdown.
- **Democratic Sweep A 'Sleeping Giant?' |** Politics could also be weighing on markets. Joe Biden's strong Super Tuesday performance combined with concerns over how the Trump Administration has handled the coronavirus situation has led the probability of a Democratic sweep in Congress to shoot higher in betting markets. This could be a headwind for equities if the proposed roll back of corporate tax cuts were implemented, as future corporate earnings and margins would be hampered.
- **Solid Financial Plan Isn't Just Something To 'Dream About'|** Just as there is no replacement for a good night's sleep, there is no replacement for proper asset allocation. Periods of heightened volatility like now should make investors who maintain a balanced portfolio grateful for their discipline. Since the initial outbreak of the coronavirus (January 17), the Barclays US Aggregate Bond Index has rallied 4.1% (versus the S&P 500 -8.9%).

CHART OF THE WEEK

Market Remains Restless

The Volatility Index remains at the second highest level over the last five years, and is more than double the average over this same time period.



*See Charts of the week on page 3.

ECONOMY

- The Federal Open Market Committee (FOMC) surprised markets by moving two weeks ahead of its policy meeting, cutting the federal funds rate by half a percentage point, to 1.00-1.25%.* This was the first surprise Fed cut since 2008. Other global central banks (China, Australia, Hong Kong, and Canada) have also joined in the monetary stimulus (and there are likely more to come).
- The ISM Manufacturing Index edged lower to 50.1 in February, vs. 50.9 in January, but supplier delivery times (lengthened due to supply chain disruptions related to COVID-19) added 0.9 percentage point to the headline figure (which would have been 49.2 otherwise).* In their comments to the survey, supply managers expressed widespread concerns about the coronavirus. The ISM Non-Manufacturing Index rose to 57.3, consistent with moderate growth in the overall economy (prior to the coronavirus).
- The Fed's Beige Book indicated that economic activity expanded at a "modest to moderate pace" into mid-February. There were some supply chain disruptions due to the coronavirus and broader concerns about the downside risks it posed.
- The 273k job gain and the unemployment rate falling to 3.5% in February reinforced our view that the US labor market was strong heading into the coronavirus outbreak.* However, as this report was backward looking, we will look for more real-time indicators such as jobless claims and withholding taxes to get a more current view on the labor market. Until now, both have held up well.
- **Focus of the Week**: Lower gasoline prices should put some downward pressure on the Consumer Price Index in February, while core inflation is expected to remain moderate. The University of Michigan's mid-month survey on consumer sentiment should reflect greater concern about the coronavirus.

March 9 – March 13

MON

TUE Small Business Optimism

WED Consumer Price Index
Real Earnings

THU Jobless Claims

FRI Consumer Sentiment

FUTURE EVENTS
3/17 Retail Sales
3/18 FOMC Policy Statement
3/19 Leading Economic Indicators

US EQUITY

- Volatility is heightened with an average daily move on the S&P 500 of 2.7% over the past ten days, as investors assess the path of the coronavirus. In the near term, the virus outbreak throughout the world is far from peaking. Therefore, the headlines and daily news flow will remain volatile, and it is a high probability that equities will remain challenged in the near term. Monitoring China is important in the near term as commentary does suggest that factories and economic activity are restarting. If a boomerang virus breakout (resurgence of cases in China) does not develop and the supply chain restarts, we would be more aggressive with purchases. However if factories are shut down again due to a boomerang breakout, expect stocks to decline.
- **Focus of the Week:** Forecasting the economic growth and earnings impact with a high degree of confidence is virtually impossible at this point, given the unknowns surrounding the virus. Nonetheless, we lowered our 2020 S&P 500 earnings estimate to $167 (from $174). This 4% annual reduction is weighted to the first half of the year, with the potential for the economy to begin a recovery in the back half of the year as the coronavirus concerns eventually subside. We maintain our base case P/E of 19.5x, as the market eventually begins to discount the eventual recovery. **This takes our 2020 S&P 500 target to 3,256**. In this forecast, we are operating under the assumption that the virus impact will prove transitory. In sum: Instead of trying to pick the final low, we suggest long-term investors patiently accumulate during weak periods. Regardless of where equities print the final low, we are comfortable expecting an equity market higher than today over the next 12-24 months.

FIXED INCOME

- When looking back on past 'emergency Fed rate cuts', this one seems a bit of an outlier (over a virus). The Fed cut rates to try to keep the economy rolling and not let the current fear factor stop this moderately growing economy. 75bps of cuts were already built into the market, but investors are still shaping the long end of the curve as if there are more economic problems and future difficulties on the horizon. The World Interest Rate Probability function suggests that another 50 bps might be coming in March.
- Underlying economic fundamentals haven't changed. However, fears about Covid-19, along with high levels of global negative interest rates, aging populations, lack of inflation, and global banks' accommodative policies continue to push yields lower. In fact, the 10-year Treasury yield broke through 0.70% to all time lows and posted the largest 15-day decline since 2008.*
- **Focus of the Week:** Covid-19 has shown the markets' vulnerability to fear and herd mentality. For bonds, the underlying drivers suppressing rates remain intact: interest rate disparity, low inflation, central bank intervention and aging demographics. As long as the central banks pump money into the system, interest rates will not be making any serious upward directional moves.

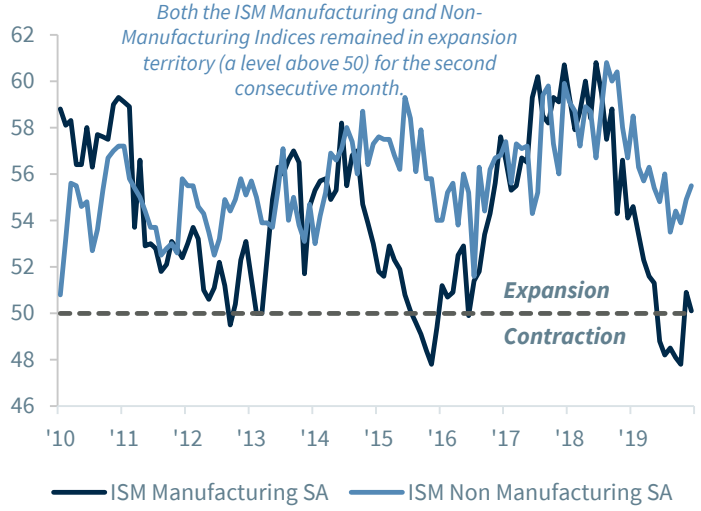
INTERNATIONAL, POLITICAL & COMMODITIES

- Covid-19 continues to spread throughout the U.S. with confirmed cases in dozens of states. We expect community transmission in the US to continue over the coming weeks. With lab testing capacity only beginning to increase and broadening of guidelines on who can be tested (you can be tested with a doctor's order assuming tests are available) will likely result in a greater number of cases appearing in the U.S. As a result, volatility is likely to continue in the markets for the next few weeks, in our view.
- The coalescing behind Biden as the clear alternative to Senator Sanders produced a much better than expected Super Tuesday result for the former Vice President who now leads in the delegate race.* It is now a two person race between Biden and Sanders with Warren and Bloomberg ending their campaigns this week. The momentum of Biden will be tested again on March 10 and 17, when almost 1,000 additional delegates are set to be awarded in a map that should favor Biden.
- **Focus of the Week:** The reduced chance of a Sanders nomination/presidency (at least for now), which would reduce the chance of outsized policy positions, should be viewed as a market positive (especially as coronavirus has decreased market expectations of a Trump re-election). However, this race is still far from over. The inability of any one candidate to put together a significant delegate lead continues to raise the probability of a brokered convention where no candidate has a majority of delegates. This dynamic may continue to produce volatility tied to the campaign over the next few months.

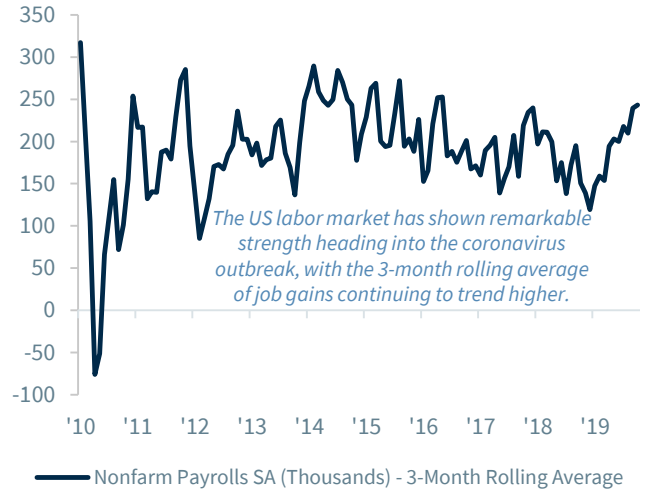
*See Charts of the week on page 3.

Charts of the Week

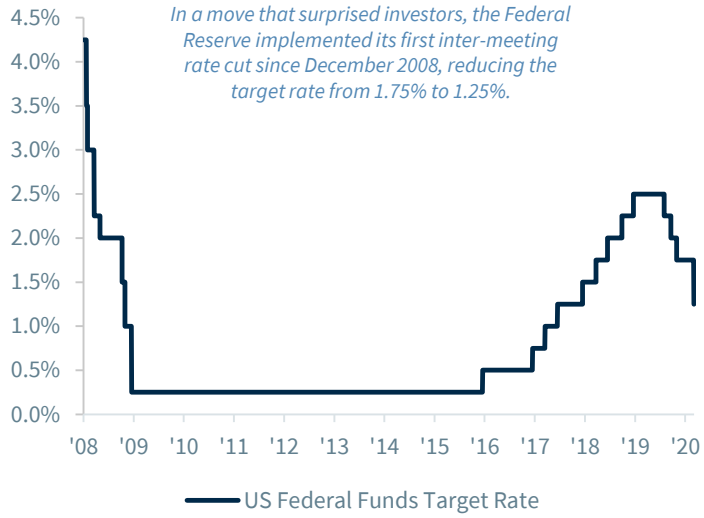
Both ISM Indices In Expansion Territory



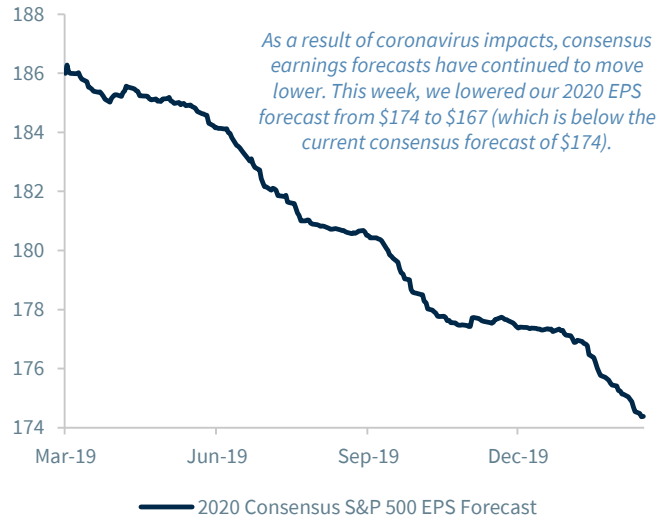
Labor Market Strong Heading Into Coronavirus



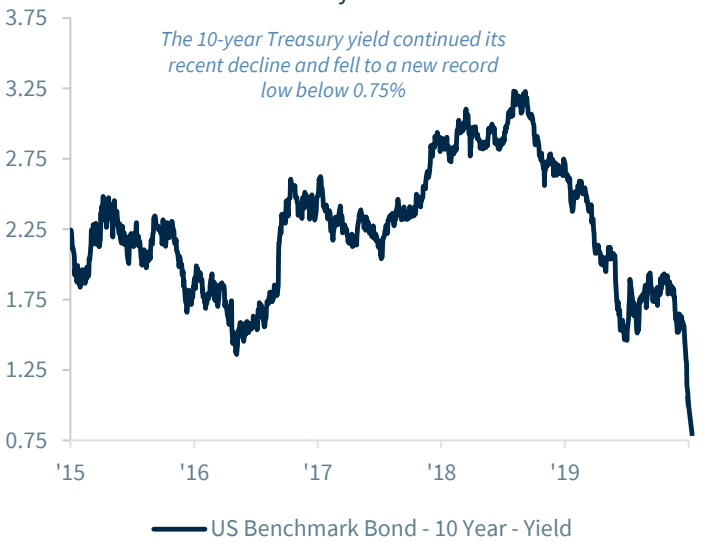
First Inter-Meeting Rate Cut Since 2008



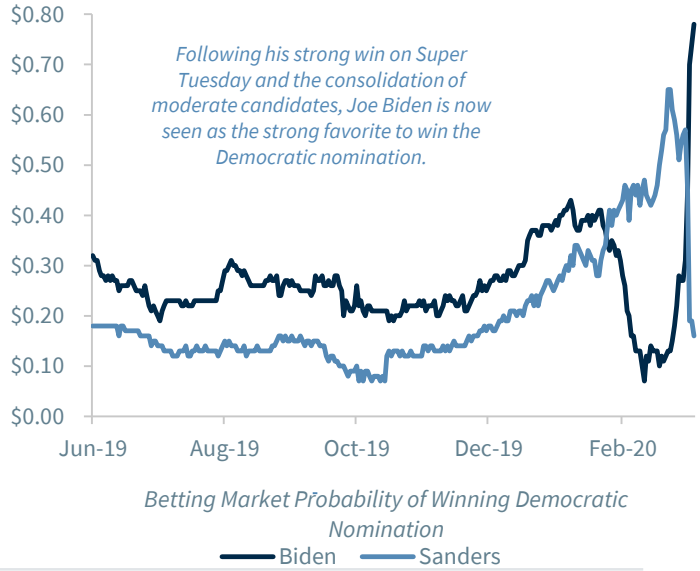
Cut in 2020 EPS Forecast



10-Year US Treasury Yield Falls Below 0.75%



Joe Biden the Leader in the Clubhouse



Asset Class Performance | Distribution by Asset Class and Style (as of March 5)**

US Equities (Russell indices)

Weekly Returns (as of March 5)	Value	Blend	Growth
Large Cap	0.3%	1.4%	2.4%
Mid Cap	-0.6%	0.1%	1.1%
Small Cap	-2.1%	-1.2%	-0.5%

Year-to-Date Returns (as of March 5)	Value	Blend	Growth
Large Cap	-9.9%	-6.0%	-2.3%
Mid Cap	-10.6%	-8.2%	-4.6%
Small Cap	-15.0%	-11.2%	-7.5%

International Equities (MSCI indices)

Weekly Returns	Dev. Mkt	World	Emerg. Mkt
Large Cap	-2.1%	0.5%	1.0%
Mid Cap	-2.2%	-0.9%	-0.2%
Small Cap	-2.8%	-1.6%	-0.1%

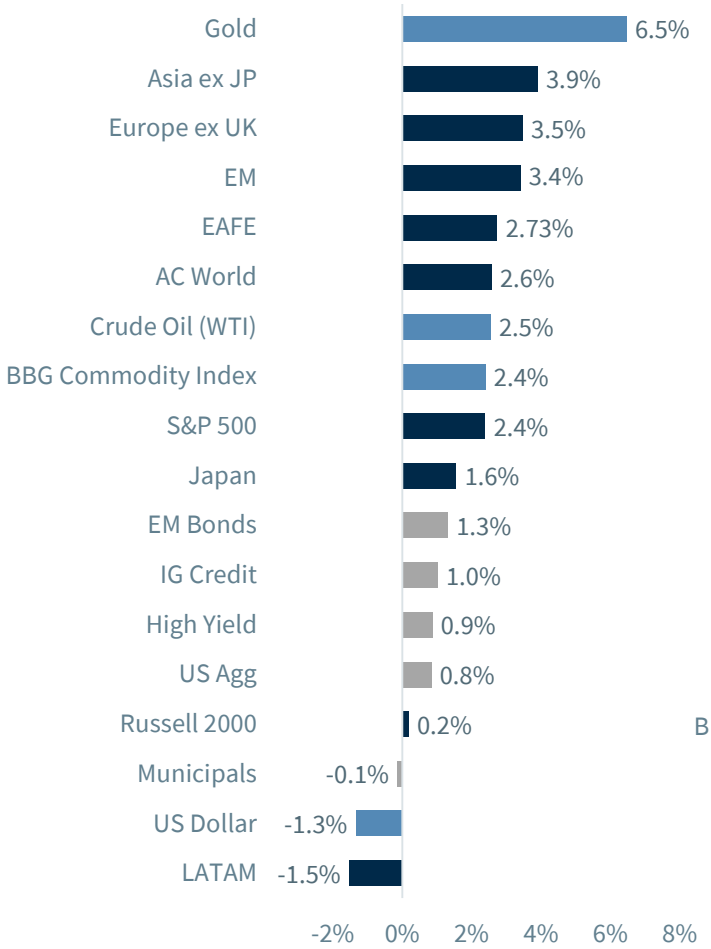
Year-to-Date	Dev. Mkt	World	Emerg. Mkt
Large Cap	-8.0%	-5.9%	-3.8%
Mid Cap	-8.5%	-7.9%	-6.5%
Small Cap	-10.2%	-10.0%	-5.9%

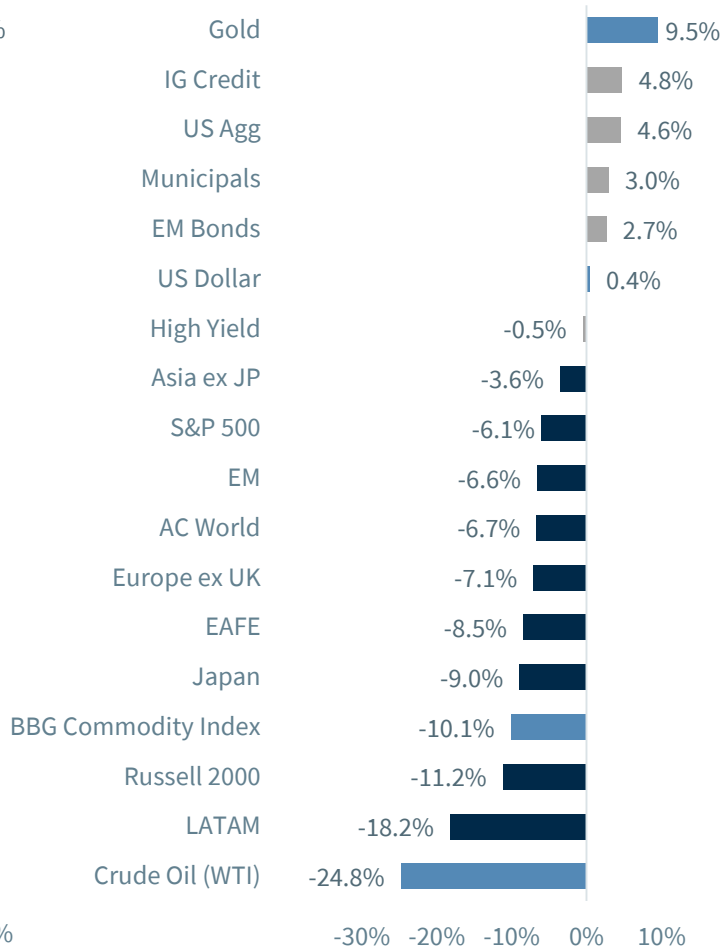
Fixed Income (Bloomberg Barclays indices)

Weekly Returns	1-3 YR	Medium	Long
Treasury	0.2%	2.1%	3.5%
Invest. Grade	0.7%	1.3%	1.7%
High Yield	-0.2%	0.2%	1.5%

Year-to-Date	1-3 YR	Medium	Long
Treasury	0.5%	5.2%	9.5%
Invest. Grade	1.6%	3.3%	4.7%
High Yield	-0.8%	-0.8%	3.6%

Asset Class Performance | Weekly and Year-to-Date (as of March 5)**





**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 March 5

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	3130.1	1.6	2.4	(6.1)	10.6	10.4	10.8	15.8
DJ Industrial Average	27090.9	1.4	2.8	(8.5)	1.2	19.3	12.6	16.1
NASDAQ Composite Index	9018.1	2.0	2.0	(2.6)	15.3	19.9	13.1	19.0
Russell 1000	3325.2	1.4	5.8	(2.7)	7.8	9.7	9.0	12.6
Russell 2000	3805.4	(1.2)	3.7	(8.1)	(4.9)	3.5	5.1	10.4
Russell Midcap	5797.0	0.1	4.9	(5.0)	2.3	6.6	6.4	11.9

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	355.5	3.0	4.2	(10.4)	2.6	3.6	3.7	7.9
Industrials	646.0	(1.8)	(0.7)	(10.4)	(1.2)	4.7	6.8	11.4
Comm Services	177.6	0.1	(0.1)	(5.6)	10.9	3.5	5.8	10.0
Utilities	347.1	5.2	8.8	4.6	22.3	13.3	12.5	12.7
Consumer Discretionary	957.4	(0.1)	0.6	(6.4)	6.7	11.5	10.4	15.7
Consumer Staples	650.1	4.9	7.2	(1.2)	17.6	7.1	7.5	11.6
Health Care	1162.7	4.0	5.5	(4.2)	9.1	10.9	8.0	14.0
Information Technology	1643.0	3.5	2.7	(1.0)	30.0	22.9	19.1	17.5
Energy	350.3	(0.5)	(1.7)	(25.3)	(28.0)	(10.7)	(7.0)	0.2
Financials	459.5	(3.3)	(0.7)	(14.1)	2.2	3.9	8.1	9.9
Real Estate	248.5	3.9	6.6	1.2	16.0	10.9	8.4	13.2

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	0.8	0.1	0.1	0.4	2.2	1.7	1.1	0.6
2-Year Treasury (%)	0.6	1.0	0.6	2.1	5.1	2.3	1.6	1.2
10-Year Treasury (%)	1.0	3.5	1.9	9.5	19.1	6.9	4.0	4.9
Barclays US Corporate High Yield	6.2	0.2	0.9	(0.5)	7.0	5.1	5.4	7.2
Bloomberg Barclays US Aggregate	1.6	1.5	0.8	4.6	12.6	5.5	3.8	4.0
Bloomberg Barclays Municipals		(0.1)	(0.1)	3.0	9.4	5.5	4.0	4.5
Bloomberg Barclays IG Credit	2.3	1.6	1.0	4.8	16.9	7.3	5.3	5.8
Bloomberg Barclays EM Bonds	4.6	0.9	1.3	2.7	11.9	6.1	6.0	6.6

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	47.2	4.3	4.3	(22.8)	(16.5)	(4.0)	(1.4)	(5.3)
Gold ($/Troy Oz)	1641.9	(0.6)	2.0	8.4	27.9	10.2	6.4	3.8
Dow Jones-UBS Commodity Index	73.2	0.1	2.4	(10.1)	(10.5)	(5.9)	(6.5)	(6.0)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	97.3	(1.7)	(1.3)	0.4	(0.0)	(1.6)	0.1	1.9
US Dollar per Euro	1.1	1.8	1.9	(0.3)	(1.0)	1.9	0.3	(1.9)
US Dollar per British Pounds	1.3	0.4	1.2	(2.5)	(1.4)	1.8	(3.2)	(1.5)
Japanese Yen per US Dollar	107.3	(3.0)	(1.1)	(1.8)	(4.7)	(2.3)	(2.4)	1.7

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	536.2	0.8	2.6	(6.7)	7.0	8.3	6.8	8.6
MSCI EAFE	1859.4	(0.5)	2.7	(8.5)	2.6	5.3	3.2	5.3
MSCI Europe ex UK	1995.0	(0.0)	3.5	(7.1)	6.2	6.9	4.0	5.7
MSCI Japan	3076.2	(0.2)	1.6	(9.0)	2.8	4.5	4.4	5.6
MSCI EM	1037.8	0.9	3.4	(6.6)	1.4	6.7	4.1	3.5
MSCI Asia ex JP	655.3	1.5	3.9	(3.6)	3.4	8.6	5.3	6.2
MSCI LATAM	2507.4	(2.1)	(1.5)	(18.2)	(11.4)	0.1	1.8	(2.3)
Canada S&P/TSX Composite	12526.7	(1.0)	1.8	(3.0)	2.9	2.0	1.9	3.3

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

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.

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).

VIX | The CBOE Volatility Index, known by its ticker symbol VIX, is a popular measure of the stock market's expectation of volatility implied by S&P 500 index options.

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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