

## THOUGHTS OF THE WEEK

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# WEEKLY HEADINGS

While we still hope “April showers bring May flowers,” more so we are wishing that “April distance will bring May existence”—so continue social distancing! The US quickly became the epicenter of the outbreak, and now more than 315 million Americans across 42 states are sheltering-in-home in hopes of mitigating the COVID-19 spread. Due to the prolonged necessity of social distancing, the likelihood of a quick V-shape recovery for the economy has been ‘swept away’ as the realization sets in that it will take time for citizens to return to work, consumers to feel at ease in public areas again, and businesses to resume normal operations. But just like any other, this COVID-19 storm won’t last forever, and once our standard ways of life are ‘renewed’ we remain optimistic that the US economy will get a ‘spring in its step’ once again. Policymaker action has been supportive of this belief, and forward guidance from this earnings season should provide additional insights.

### Key Takeaways

Economy Will Get A ‘Spring In Its Step’ Once Virus Is Curtailed

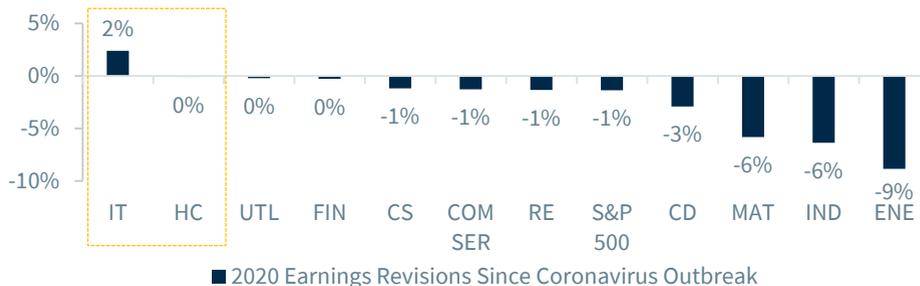
Stimulus Measures To Help Nation ‘Weather The Storm’

Earnings Season Will Not Be ‘All Roses’ Due To Virus Impact

- Policymakers ‘Planting The Seeds’ For Recovery** | A bi-partisan Congress swiftly approved the Phase 3 stimulus package. While these measures were record-setting and substantial in their own right, some of the addressed areas of concern are already in need of additional aid. For example, the Payroll Protection Program (PPP) which seeks to help small businesses cover overhead expenses and retain workers, has seen exorbitant demand. Congress originally funded the program with \$350 billion, but within the initial days of its rollout, the Small Business Administration administered over 380,000 loans for a value of ~\$100 billion. With the fear of the initial funds being exhausted, the Treasury requested an additional \$250 billion (to bring the total to \$600 billion) from Congress. Democrats countered with a \$500 billion proposal with additional funding for hospitals and state and local governments. Due to the urgency of the matter, we expect accelerated negotiations and a deal to be agreed upon in the next week or so. Separately, the Fed unveiled \$2.3 trillion in additional programs to bolster the economy, including a lending program aimed to benefit businesses as well as state and local governments. Our belief is that policymakers will take the necessary actions to help consumers, businesses, frontline responders, and local governments ‘weather the storm’ until the economy can return to some form of normality, which we believe will occur by Memorial Day (40% chance) or July 4<sup>th</sup> (80% chance).
- Earnings Season Will Not Be In ‘Full Bloom’** | Given the speed and severity of the economic impact, earnings season (which begins next Tuesday with some of the big banks reporting) is set to be very challenging as earnings growth is likely to be negative and near-term visibility for most companies will be clouded or even suspended.\* The biggest question for investors will be whether this is a temporary COVID-19-induced interruption that should see a sharp rebound after the virus dissipates or if there is permanent damage to the longer-term earnings power of companies. As a result, while current earnings will be important to assess some of the underlying trends, more focus is likely to be placed on the potential for 2021 earnings, a time period that will hopefully have a more normal economic environment. A couple of things we will keep an eye on this quarter include:
  - There will be a bifurcation in earnings growth across sectors and intra-sector. Some sectors like Health Care, Utilities and Consumer Staples have likely had resilient earnings growth given the necessity of their products and services. In comparison, cyclical sectors such as Energy and Materials, will be significantly negatively impacted by the shutdown in economic activity.
  - Intra-sector, within the Consumer Discretionary space, e-commerce and home improvement companies are likely to see better results than brick-and-mortar retailers and restaurants which have seen closures.
  - Technology and Communication Services will see whether their diversification of services (streaming, gaming, cloud, etc.) can offset some of the weakness in their other product areas. Focus will be on the timing of the 5G rollout later this year.
  - In addition, dividends, buybacks, capital expenditures, and margins will be in focus. Attention will also be on the recent interactions with China in regards to supply chains and sales as that country has begun to emerge from its COVID-19 crisis.
- Global Oil Industry Hoping A Truce Will ‘Blossom’** | With OPEC+ leaders meeting today and with G20 oil ministers meeting tomorrow, the global oil industry remains hopeful for a production cut agreement, but a willingness to come to the negotiation table appeared to be the only consensus.\* The two divergences appeared to be US participation and the baseline level for the cut. Russia was firm that the US should implement its own production cuts, but the US countered that it was unwilling to intervene in the private markets and that its companies have naturally, gradually been reducing output as capex cuts have been announced. Russia also believed that the production levels from the first quarter of this year should provide the baseline for the planned cuts, while the Saudis wanted to use levels from this month, which of course are significantly elevated. Given that current price levels are unsustainable for the industry as a whole, we maintain our view that the price war will come to an end, but acknowledge that continued pressure on the demand side due to the prolonged COVID-19 outbreak will weigh on oil prices in the near term.

## CHART OF THE WEEK

Since the outbreak began, the Info Tech and Health Care sectors have seen some of the lowest downward revisions to earnings estimates as recent trends associated with the COVID-19 crisis have been in their favor (e.g., e-commerce and utilization of payment processors).



\* See Charts of the week on page 3.

## ECONOMY

- Consumer sentiment plunged 18.1 points in early April, the largest monthly decline ever recorded and a 9-year low. Jobless claims increased by 6.6 million, totaling 15.1 million (not seasonally adjusted) or 9.2% of the labor force over the last three weeks.\* In his speech on COVID-19 and the economy, Fed Chair Powell exhibited a calm demeanor, an important message for the public.
- Focus of the Week:** The IMF will update its World Economic Outlook on Tuesday morning – with expectations of significant downgrades coming. Retail sales are expected to have fallen sharply in March. Unit motor vehicle sales were reported to have fallen 32% and gasoline sales are seen as down 50-80% around the country. The Fed's Beige Book, the anecdotal summary of economic conditions from around the country, should reflect broad weakness from COVID-19. The Conference Board's Index of Leading Economic Indicators will post a huge decline for March, with negative contributions from most components, including the stock market (-0.83) and jobless claims (about -5.50).

### April 13 – April 17

MON

TUE

Small Business Optimism

WED

Retail Sales  
Industrial Production  
Fed Beige Book

THU

Building Permits

FRI

Leading Economic Indicators

FUTURE EVENTS

4/24 Durable Goods Orders  
4/29 Real GDP  
5/1 ISM Manufacturing Survey

## US EQUITY

- Along with hopefully gaining better clarity in the coming weeks over the virus spread, we will also hear from companies as 1Q earnings season begins next week. Consensus estimates for Q1 S&P 500 earnings have been revised 8% lower since February, now reflecting a -8% YoY earnings contraction. Of course, the height of the virus impact is expected to come in Q2 where S&P 500 earnings estimates have already been lowered by 17% and reflect a -22% YoY contraction. The most weakness is expected from the Energy, Industrials, Materials, Consumer Discretionary, and Financials sectors. We have also revised our earnings estimate for 2020 lower, as the economic deterioration has intensified over the past several weeks. Admittedly, there remains vast uncertainty in economic as well as fundamental estimates currently. We believe investors should turn their focus to the eventual recovery, as 2021 earnings and the trajectory of the economic recovery (i.e., V-shaped, U-shaped, etc.) will be more important in our view.
- Base Case Outlook:** Our earnings and S&P 500 target assume the US economy begins the rebuilding process between Memorial Day and July 4. We assume that there is a U-shape pattern, with the current bottom of the U not extended. Therefore, economic growth picks up in Q3, Q4, and into 2021 leaving 2020 earnings around \$130 (-20% y/y) and improving to \$160 (3% GDP growth) in 2021. Applying a 19x multiple and discounting back one year, we arrive at a year-end 2020 price target of 2,797.
- Upside Scenario:** Antibody testing reveals a much larger infection rate than previously believed, which allows more to re-enter the workforce (given the population is closer to herd immunity) or therapeutic testing produces a positive result. This limits the economic deterioration in the near term and 2020 GDP declines only ~2% (\$140 in EPS). Assuming a 3% snapback in GDP next year, we arrive at a price target of 3,128 by year end after discounting 2021 earnings and a 20x multiple back one year.
- Downside Scenario:** Approved therapeutic proves elusive in the near term, and a second wave of virus outbreaks makes another 'shut-down' necessary later in the year pushing 2020 GDP to decline 5% (or ~\$110 in earnings). However, earnings rebound in 2021 to \$130, but the lackluster GDP growth (given all the stimulus) is less than expected, which caps the multiple at 16x. Discounting this back one year, we arrive at a year-end 2020 price target of 1,914 for the S&P 500.

## FIXED INCOME

- Many good things are happening in the credit markets this week and it gives all of us hope that all markets are beginning to function better than they were even last week. The relationship between risk-on and risk-off is once again recognizable, and liquidity is being restored in many parts of the credit curve.
- Focus of the Week:** Several of the Fed's programs are just beginning to roll out. Various programs may invest beyond the government securities typically purchased by the Fed. It is likely that Fed purchases of any specific security and maturity range will push pricing (lower yields) in those specific areas, so staying just outside the Fed's range will likely offer more investor opportunity. Municipals continue to trade disproportionately higher to Treasuries at ~200bp on AAA 10-year bonds (averaged 80bp last year). Similar wide spreads exist in corporate bonds. BBB rated 10-year bond spreads to Treasuries are ~281bp (averaged 151bp last year). Within fixed income, high-quality municipal and corporate sectors are rewarding investors.\*

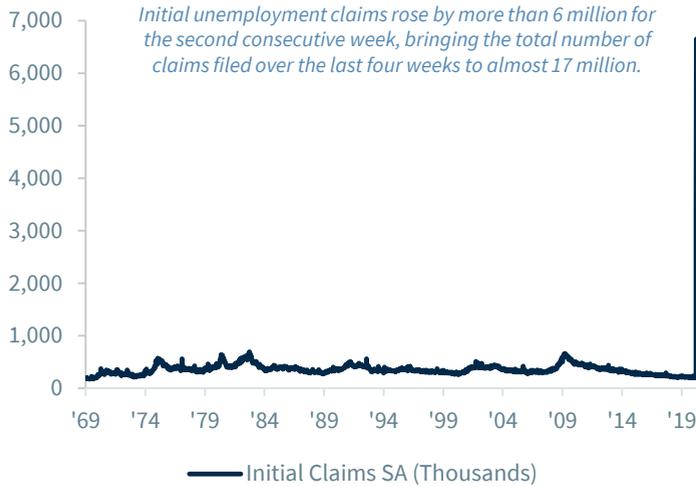
## POLITICAL & COMMODITIES

- Over 90% of Americans live under stay-at-home orders that resemble the 'timeout' we recommended. Unfortunately, 'hot spots' are projected to reach their peaks over the next couple of weeks, meaning hospitalizations and mortalities will increase before the COVID-19 storm passes. So, we continue to believe that things will get worse before they get better. Reopening our country will require either increasing public comfort with the virus, via generally accepting its devastating effects or making testing and treatments readily available, or stopping the spread, which, depending on the effectiveness of mitigation efforts and the seasonality of the virus, could drag present conditions out until Memorial Day at earliest or after Labor Day at latest.
- Focus of the Week:** Concerns over adequate funding for the Small Business Administration's (SBA) small business Paycheck Protection Program (PPP) has accelerated discussions on a new legislative measure that could provide additional funding within the next week. Bipartisan agreement is forming on an additional \$250 billion for the PPP program (on top of the \$350 billion currently provided which is expected to be quickly disbursed), but Democrats are also seeking \$150 billion for state and local governments, \$100 billion in healthcare funding, a 15% increase in SNAP benefits, and a requirement that a portion of the PPP funding runs through community-based financial institutions. The process here may be an additional difficulty on top of the negotiations, as the measure will likely have to pass both the Senate and House without a single objection given the public health difficulties in convening Congress for a formal vote. Given this emergency process, the passage of the legislation could be delayed, but we ultimately expect some sort of follow-on fiscal relief measure to become law.

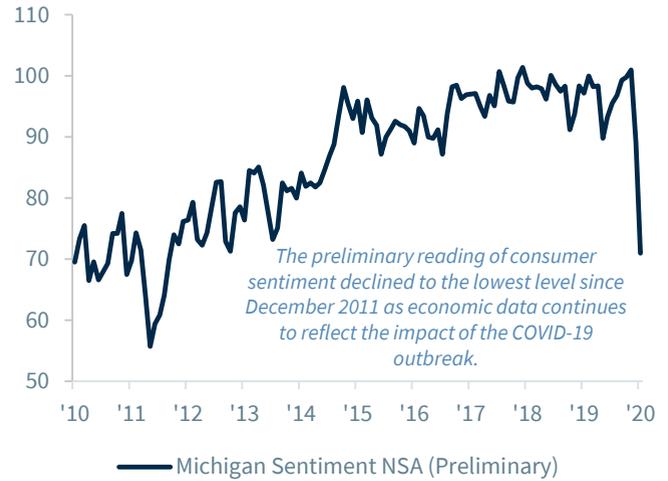
\* See Charts of the week on page 3.

Charts of the Week

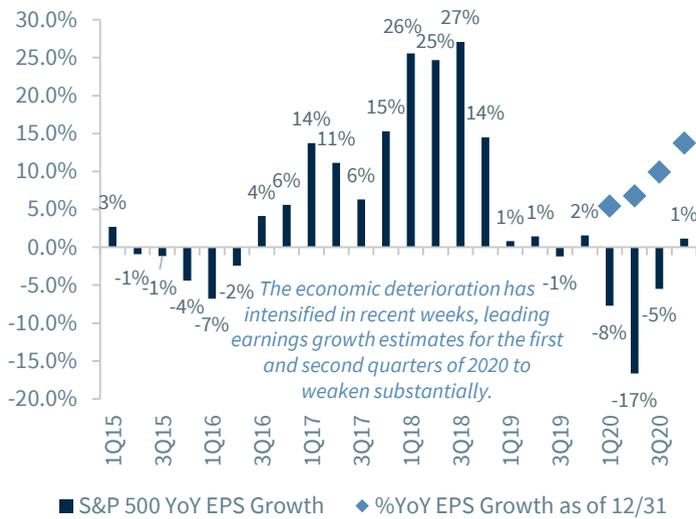
Initial Claims Continue To Rise



Consumer Sentiment Falls As Virus Impact Worsens



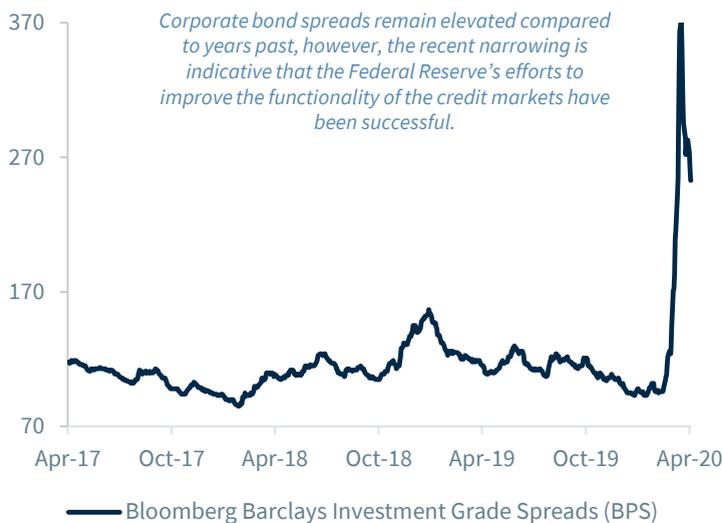
Expected Impact On Earnings



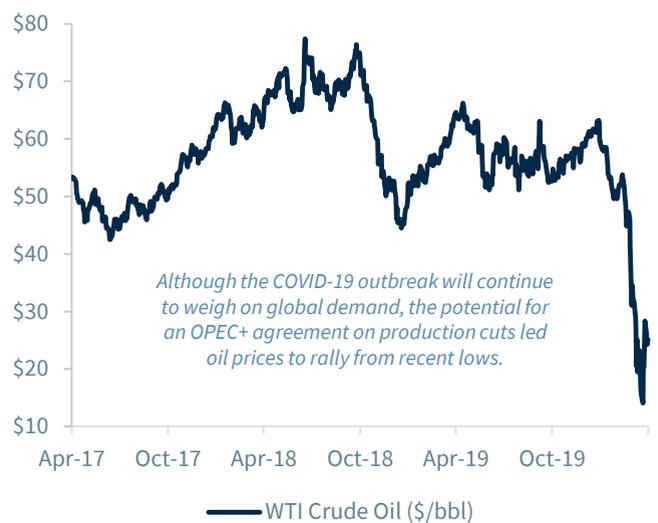
Market Volatility Declines Further From Peak



Corporate Spreads Narrow From Recent High



Oil Rallies On Hopes For OPEC+ Production Cuts



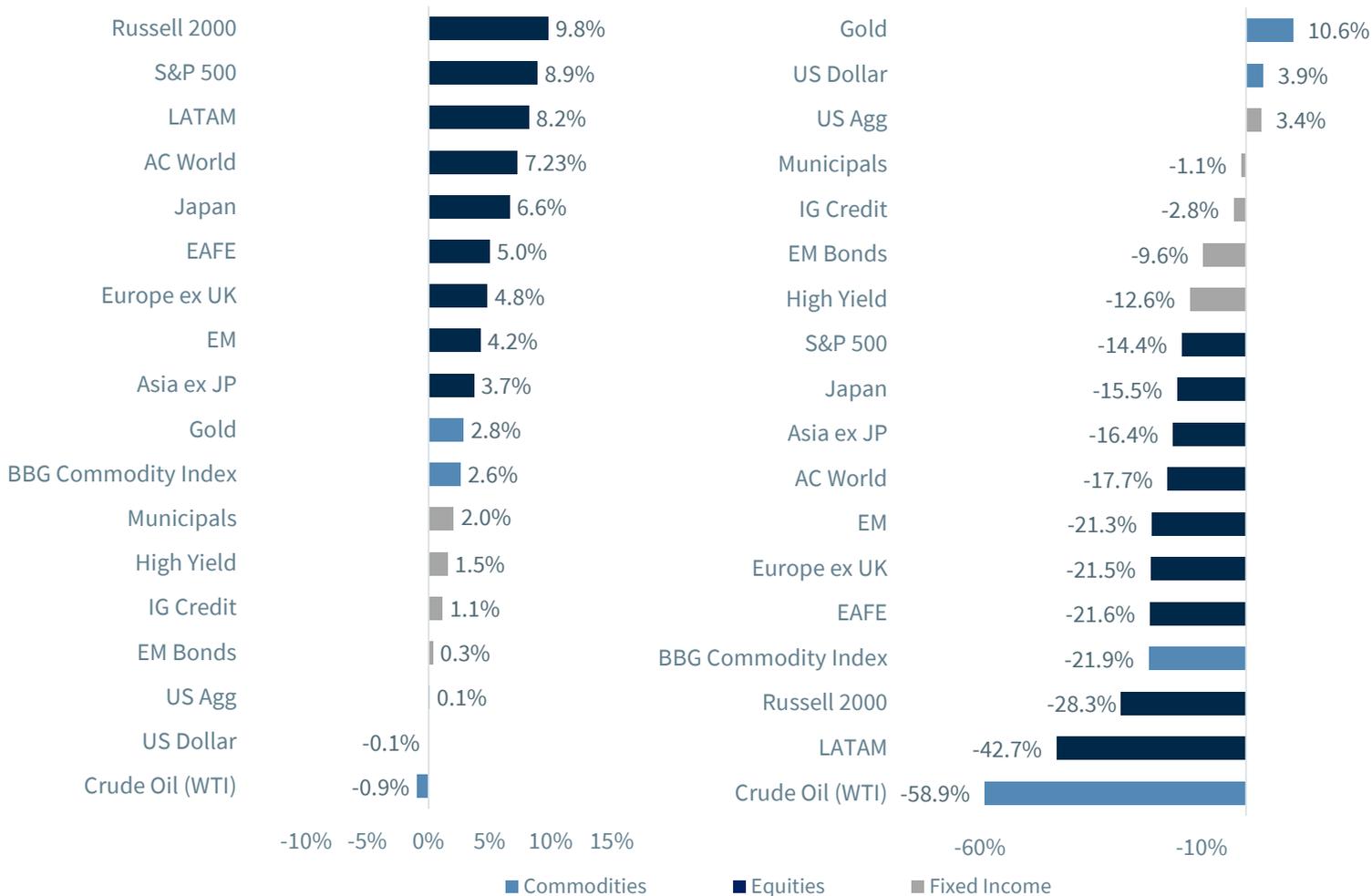
Asset Class Performance | Distribution by Asset Class and Style (as of April 8)\*\*

		US Equities (Russell indices)			International Equities (MSCI indices)			Fixed Income (Bloomberg Barclays indices)		
		Value	Blend	Growth	Dev. Mkt	World	Emerg. Mkt	1-3 YR	Medium	Long
Weekly Returns (as of April 8)	Large Cap	9.6%	9.1%	8.6%	4.7%	6.9%	3.6%	0.0%	-0.4%	-1.2%
	Mid Cap	12.5%	11.6%	10.3%	6.0%	8.7%	5.4%	0.4%	0.8%	0.9%
	Small Cap	9.9%	9.8%	9.6%	6.4%	8.4%	5.4%	1.1%	1.4%	4.0%
Year-to-Date Returns (April 8)	Large Cap	-21.6%	-15.1%	-9.0%	-18.3%	-15.1%	-15.8%	0.6%	6.3%	11.3%
	Mid Cap	-26.5%	-21.9%	-14.8%	-21.1%	-21.1%	-20.9%	-0.3%	-2.5%	-3.3%
	Small Cap	-33.6%	-28.3%	-23.2%	-23.0%	-25.6%	-22.8%	-11.9%	-12.7%	-10.8%

Asset Class Performance | Weekly and Year-to-Date (as of April 8)\*\*

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).

# Weekly Data\*\*

Data as of April 8

## U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	2750.0	11.4	6.5	(14.4)	(3.1)	7.4	7.9	11.1
DJ Industrial Average	23433.6	11.9	6.9	(17.9)	(11.0)	4.3	5.5	7.9
NASDAQ Composite Index	8090.9	9.9	5.1	(9.8)	1.7	11.2	10.3	12.7
Russell 1000	2895.0	11.4	6.4	(15.1)	(8.0)	4.6	6.2	10.4
Russell 2000	2961.6	11.2	3.4	(28.3)	(24.0)	(4.6)	(0.2)	6.9
Russell Midcap	4751.9	12.7	7.1	(21.9)	(18.3)	(0.8)	1.8	8.8

## Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	310.0	14.7	9.4	(19.2)	(12.5)	0.0	2.2	6.2
Industrials	526.7	10.6	5.5	(23.0)	(16.8)	(0.0)	4.0	9.0
Comm Services	157.1	8.9	4.6	(13.1)	(1.6)	1.2	4.2	8.5
Utilities	295.3	11.6	4.8	(9.3)	4.3	7.8	9.2	11.0
Consumer Discretionary	844.7	10.9	6.5	(14.0)	(8.3)	8.2	8.4	14.0
Consumer Staples	592.5	7.7	5.8	(7.7)	5.8	4.8	6.1	10.7
Health Care	1099.9	10.8	6.5	(7.0)	5.2	10.4	7.3	13.6
Information Technology	1499.0	11.3	6.0	(6.6)	13.7	20.1	18.3	16.3
Energy	262.5	23.2	17.5	(41.8)	(45.6)	(17.5)	(11.6)	(2.5)
Financials	369.1	13.6	6.8	(27.3)	(14.5)	0.2	4.6	7.2
Real Estate	209.7	16.0	8.9	(12.0)	(3.9)	5.7	5.0	10.7

## Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	0.1	(0.0)	(0.0)	0.5	2.0	1.7	1.1	0.6
2-Year Treasury (%)	0.3	(0.0)	(0.1)	2.8	5.2	2.5	1.6	1.3
10-Year Treasury (%)	0.8	(1.2)	(0.6)	11.3	18.5	7.0	3.9	5.2
Barclays US Corporate High Yield	9.4	1.2	0.1	(12.6)	(7.4)	0.7	2.6	5.6
Bloomberg Barclays US Aggregate	1.6	0.1	0.2	3.4	9.6	4.9	3.3	3.9
Bloomberg Barclays Municipals		1.5	(0.5)	(1.1)	3.6	3.6	3.1	4.1
Bloomberg Barclays IG Credit	3.3	1.1	0.9	(2.8)	6.2	4.4	3.4	5.0
Bloomberg Barclays EM Bonds	7.2	0.4	(0.2)	(9.6)	(3.2)	1.4	3.0	5.0

## Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude (\$/bl)	25.1	(11.5)	22.3	(59.0)	(61.0)	(21.7)	(13.0)	(11.5)
Gold (\$/Troy Oz)	1647.8	4.5	2.4	8.8	26.8	9.2	6.4	3.7
Dow Jones-UBS Commodity Index	63.1	4.7	2.1	(21.9)	(23.7)	(9.7)	(8.6)	(7.2)

## Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	100.1	0.4	1.1	3.9	3.2	(0.3)	0.4	2.1
US Dollar per Euro	1.1	(0.6)	(1.0)	(3.2)	(3.5)	0.8	0.1	(2.0)
US Dollar per British Pounds	1.2	(0.3)	(0.1)	(6.5)	(5.1)	(0.0)	(3.7)	(2.1)
Japanese Yen per US Dollar	108.7	1.5	0.7	0.1	(2.4)	(0.6)	(1.9)	1.6

## International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	462.3	8.6	4.6	(17.7)	(8.8)	3.7	4.0	6.8
MSCI EAFE	1581.1	4.2	1.4	(21.6)	(14.6)	(0.7)	(0.3)	3.3
MSCI Europe ex UK	1659.5	4.7	1.5	(21.5)	(13.0)	0.1	0.1	3.9
MSCI Japan	2866.9	4.3	1.3	(15.5)	(6.2)	2.0	1.9	4.1
MSCI EM	873.8	5.7	3.0	(21.3)	(17.3)	(0.4)	(0.3)	1.1
MSCI Asia ex JP	573.3	4.8	2.4	(16.4)	(13.4)	2.0	1.3	4.0
MSCI LATAM	1660.6	10.2	5.4	(42.7)	(39.6)	(11.6)	(5.8)	(6.1)
Canada S&P/TSX Composite	9905.9	8.1	4.1	(18.4)	(15.1)	(3.8)	(1.8)	1.4

\*\*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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