THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Key Takeaways

Democratic Sweep May 'Preserve' Tax Policy Shifts

Biden Administration Vows To 'Protect' Against Cyber Threats

The Fed May Have To 'Defend' Against Inflation Spikes

Next Wednesday, January 20, Joe Biden will be sworn in as the 46th President of the United States, and we are hopeful that Inauguration Day will serve as a platform for a more united country. However, before this transition of power occurs, we evaluate the economic and market performance that has occurred over the last four years under President Trump and provide some context as to how the results compare to those of prior presidents. Overall, the performance has been mixed with healthy equity gains and tepid economic growth despite record increases in the size of both the national debt and the Federal Reserve's (Fed) balance sheet. In addition, given that we 'inaugurated' our Ten Themes for 2021 this week, we address a few macro risks that could unsettle our optimistic outlook for the equity market. These include the likelihood and timing of tax policy changes, the potential for premature Fed quantitative easing (QE) tapering, and growing geopolitical risks.

- **GDP Growth |** During Trump's first three year's in office, the US economy had annualized GDP growth of 2.5%, but due to the COVID-19 pandemic, the average fell to an estimated 1.02%—the slowest pace of growth in the post-World War II era.* Because of the pandemic, the economy saw the best (3Q20: +33.4%) and worst (2Q20: -31.4%) quarters of growth over this same time period.
- **Unemployment Rate |** Prior to the COVID-19 pandemic, the unemployment rate fell to 3.5%, the lowest level over the last 50 years.* Despite the unemployment rate spiking to a historic high of 14.7% during the prolonged lockdowns, it has only increased 2.0% during Trump's presidency. While this makes him the sixth president out of the twelve presidents in the post-World War II era to record an increase in the unemployment rate, it is the smallest unemployment increase amongst the six.
- **Equity Market Performance |** Since his inauguration in 2017, the S&P 500 has posted an average annualized return of 13.8%, marking the best return under a Republican president and the third best overall in the post-World War II time period. President Clinton still holds the record for the best equity market performance with an average annualized return of 15.2%.
- **National Debt & Fed Balance Sheet |** National debt increased ~$7.7 trillion, the second largest increase as a percentage of real GDP levels since President Kennedy took office in 1961.* The Fed's balance sheet increased by $2.9 trillion during Trump's term, by far the largest increase during any presidency. However on a percentage basis, the 66% increase in the size of the balance sheet is well below that of President George W. Bush (260%) and President Obama (99%).

While we foresee that volatility will be lower in 2021 versus 2020, primarily as the world recovers from one of the most severe 'Black Swan' events in history—COVID-19—there are still a few dynamics that could unsettle our favorable outlook for the upcoming year.

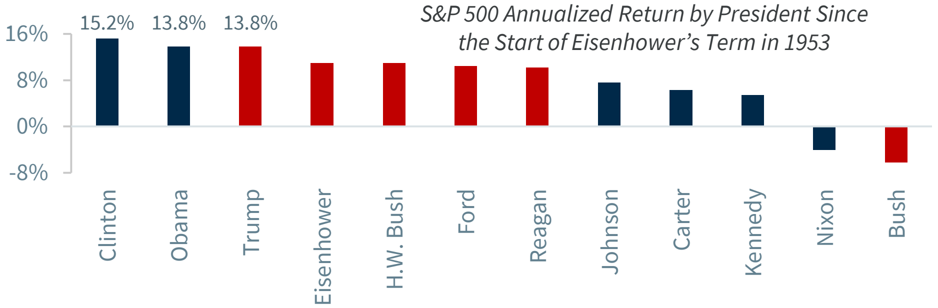
- **Democratic Sweep May 'Preserve' Tax Policy Shifts |** With the Democratic Party having a slim Congressional majority, we expect budget reconciliation to be utilized to implement aspects of Biden's campaign platform, including his proposed tax policy changes. However, the timing of when these changes take effect (2022 versus 2021 retroactive) remains an unknown. Given our projections for a strong earnings rebound and robust pent-up consumer spending once our nation can sustainably reopen, accelerated tax increases could serve as a drag on corporate earnings and dampen the potential strength of consumer spending.
- **May Have To 'Protect' Against More Aggressive Adversaries |** Between the China trade negotiations started by President Trump and the massive cyberattack that occurred against US government systems prior to his being confirmed by the Electoral College, Biden is likely to face some geopolitical challenges. History suggests that our nation's adversaries often test a new administration, but Biden's initial comments regarding specific foreign affairs suggest that he will take a strong position. For example, the President-elect has voiced that he will "not stand idly by" when it comes to cyber threats against our country. As these relationships evolve in the months ahead, geopolitical frictions have a greater chance of inducing market volatility.
- **The Fed May Have To 'Defend' Against Inflation Spikes |** Recovering economic growth, a surging money supply, prospects for additional fiscal stimulus, and COVID-19-related supply chain disruptions have led to inflation concerns. While a large increase in inflation is not our base case, a modest increase is likely as a result of the aforementioned catalysts. However, if inflation does surprise sustainably to the upside, the Fed may have to taper its current $120 billion/month QE purchases to 'cool' the inflationary pressures. In 2013 and 2018, a reduction in QE bond purchases spurred so-called 'taper tantrums' that caused a rise in interest rates (bond yields rose ~140 basis points on average) and equity market volatility (the S&P 500 had at least one 5% pullback during those time periods). This week, Fed leaders reiterated they would remain flexible, allowing inflation to move above the stated 2% target for a period of time before tapering purchases; however, it remains a risk worth monitoring.

CHART OF THE WEEK

Equity Return Under Trump's Term Makes History

The S&P 500 has posted an average annualized return of 13.8% over President Trump's term, marking the best return under a Republican president and the third best overall in the post-World War II time period.

S&P 500 Annualized Return by President Since the Start of Eisenhower's Term in 1953



*See Charts of the week on page 3.

ECONOMY

- The Consumer Price Index rose 0.4% in December (1.4% y/y), reflecting higher food and gasoline prices. Ex-food and energy, the CPI edged up 0.1% (1.6%), reflecting a more moderate trend in rent.
- Higher prices of oil and industrial inputs contributed to a 0.9% increase in import prices (-0.3% y/y), although inflation in imported finished goods remained mild.
- Jobless claims jumped to 965,000 in the first week of the year—figures can be erratic in January, but the increase likely indicates an impact from the pandemic surge. Retail sales were weaker than expected, but not as bad as it looks.
- **Focus of the Week**: Next week's economic calendar is thin, with December residential construction figures on Thursday and existing home sales on Friday.

January 18 – January 22

MON	MLK Day (Markets Closed)	WED	Homebuilder Sentiment	FRI	Existing Home Sales (Dec)
TUE		THU	Building Permits	FUTURE EVENTS	1/18 MLK Day (Markets Closed) 1/28 Real GDP (4Q20. adv. Est.)

US EQUITY

- Since breaking out to new highs in November, the S&P 500 has continued to glide higher through the seasonally strong period of the year. Enormous strength from the most risk-on areas during this time frame was triggered by positive vaccine news in early November, allowing for optimism about an economic reopening in 2021. Technical momentum toward the reflation trade remains strong with added support in recent days from positive vaccine news (J&J early vaccine study) and President-elect Biden's unveiling of an additional ~$2T fiscal stimulus package Thursday night (on top of the $900B in relief passed a few weeks ago). The unprecedented amount of both fiscal and monetary stimulus remains supportive of equity markets in our view.
- Eventually, the market will need to digest this strength but, for now, the trend remains your friend. The S&P 500, along with some of the more cyclical areas (i.e., small caps, banks, equal weight Consumer Discretionary), have been able to trade above their 20-day moving averages since early November. We will be monitoring price action around this level for potential cracks in the short-term trend that may lead to an eventual digestion period. But for now, short-term momentum remains strong. Supporting this view of underlying equity market momentum is continued relative strength in the Banks vs. Utilities, as well as Consumer Discretionary vs. Consumer Staples.
- **Focus of the Week:** Fundamentally, Q4 earnings season unofficially kicked off today with several of the large banks. Consensus estimates reflect -10.3% S&P 500 earnings growth on -2.2% sales growth for the quarter. The most favorable earnings growth is expected to come from the Materials, Health Care, and Technology sectors. We expect a strong Q4 earnings surprise above the historical average of 4.5%, but less than the historically strong Q2 and Q3. In fact, 19 S&P 500 companies have announced Q4 results early with an earnings surprise of 11.5%. This supports our above-consensus earnings estimate for 2021 of $175.

FIXED INCOME

- The 10-year Treasury has seen a price decline (yield pick-up) based largely on the uncertainty of what stimulus may or may not go through given the slim Democratic majority in DC.* Biden has just increased the potential package to ~$1.9 trillion and investors are questioning how we are going to pay for all this debt. The momentum will continue and we are likely to see continued longer end sell-off into next week.
- **Focus of the Week:** To take advantage of the recent curve steepening (from ~44bps in August to just shy of 100bps on Tuesday) we suggest looking at a barbell approach. Isolate offerings tied to the uptick in yields in the 7-10 year range while keeping some of your dollars very short to be positioned for any significant rise in yield also in the short term. Keep in mind that the economic climate will shift quickly as the new administration takes office and these uncertainties begin to clear up.

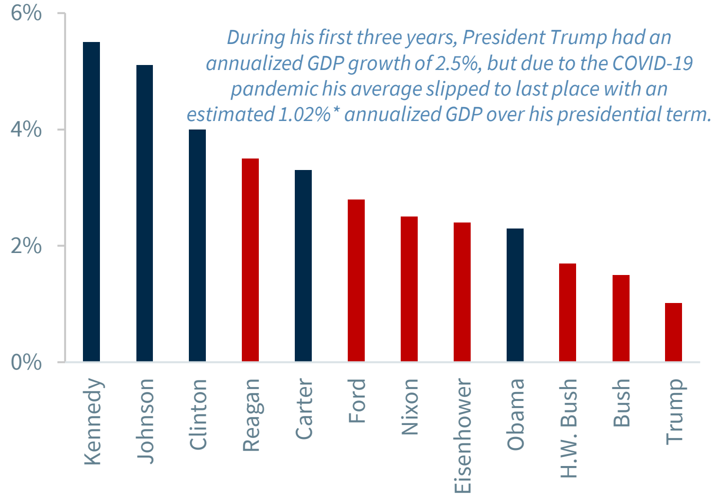
COVID-19 & POLITICS

- The coronavirus continues to spread at unprecedented levels as coronavirus fatigue persists. The US has now recorded more than 23,079,000 identified cases and more than 384,000 identified deaths related to the coronavirus.* In January alone, around 35,000 Americans have identifiably died of the virus. Over the past week, we recorded 240,525 cases per day on average, a 9.9% increase compared to the week prior. The US has now performed more than 273 million tests, almost 14 million of which occurred over the past week. Our seven-day average positivity rate stands at 12.3%, still well above our long-stated goal of a maximum 5% tests, and ideally fewer, returning positive to signal adequate supply to meet our demand.
- Vaccine rollout continues to lag behind schedule. Of around 29.4 million doses distributed, only 10.3 million individuals have received their first doses. On Tuesday, the Trump administration switched strategic gears in hopes to speed up vaccine distribution by basing each states' vaccine allotment on how effectively states have administered the doses that they have already been distributed. Additionally, the administration has urged states to start vaccinating groups of people that were previously lower on the hierarchy, such as people 65+ and people with comorbidities. It remains unlikely that vaccines will be available to the wider population for several months.
- **Focus of the week:** Additional fiscal support for the economy, infrastructure spending, climate change initiatives, and worker protections are among the top priorities President-elect Biden is expected to pursue following his inauguration on January 20. In a conversation with congressional democrats, Biden has outlined a desire to work in a bipartisan approach for the next fiscal package – which may delay or reduce the overall package. A vote on the $2K consumer checks remains a priority, but could be delayed as a larger package is negotiated. Longer term, all eyes remain on the budget reconciliation process (as it can be accomplished with only Democratic Party support) with a debate raging on whether any tax changes are delayed until at least 2022, to allow for a more complete COVID recovery.

* See Charts of the week on page 3.

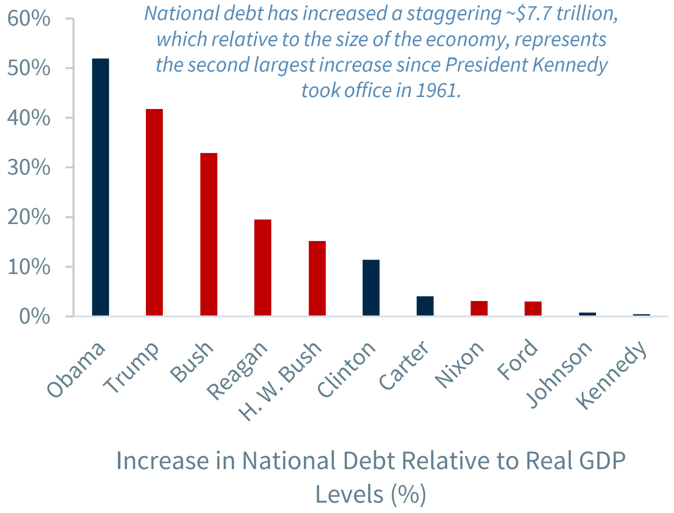
Charts of the Week

Annualized Real GDP Growth by President

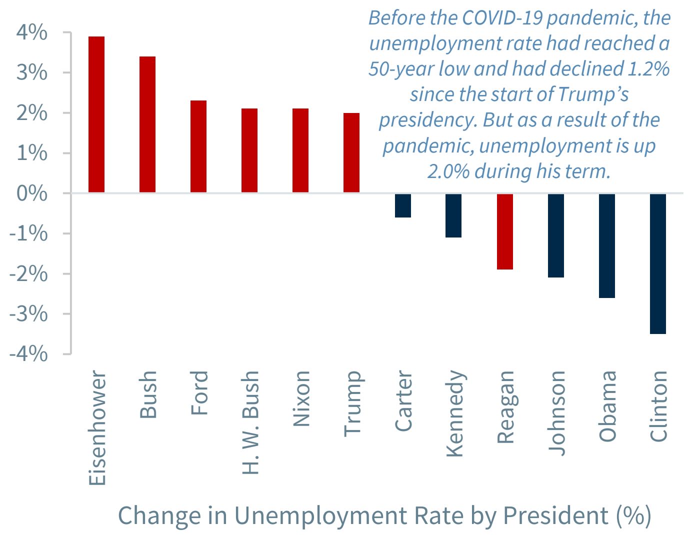


*2020 GDP Estimate of -3.4% from Raymond James Economist Scott Brown

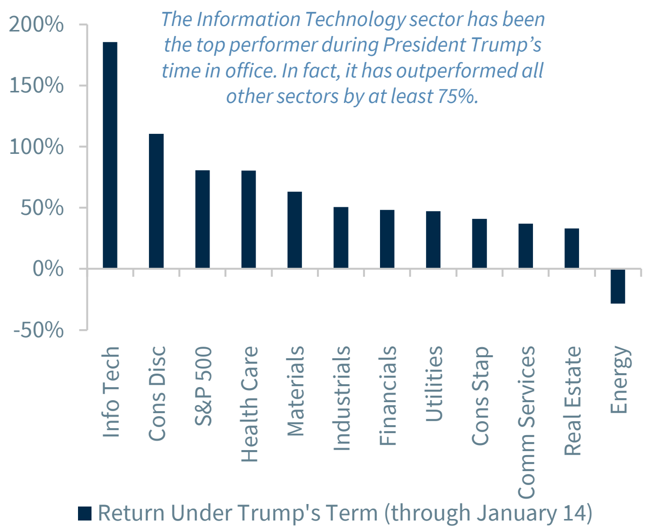
Increase in National Debt by President



Change in Unemployment Rate by President

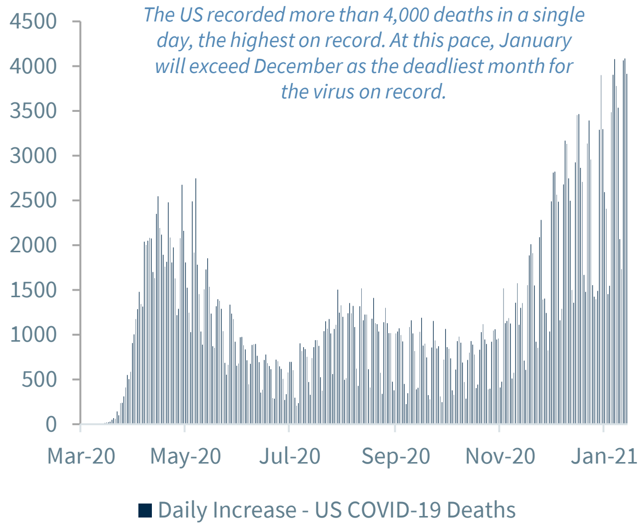


Sector Performance Under Trump's Term



10-Year Yield Rises On Stimulus Prospects

US Records 4K+ Deaths In A Single Day



Asset Class Performance | Distribution by Asset Class and Style (as of January 14)**

Weekly Returns (as of January 14)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	0.8%	-0.5%	-1.8%
Mid Cap	1.3%	0.8%	-0.2%
Small Cap	3.3%	3.1%	2.9%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	0.1%	-0.3%	1.3%
Mid Cap	0.2%	0.4%	0.2%
Small Cap	0.1%	1.6%	0.8%

Fixed Income (Bloomberg Barclays indices)

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

Year-to-Date Returns (January 14)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	3.8%	1.5%	-0.6%
Mid Cap	4.6%	4.0%	2.9%
Small Cap	9.4%	9.2%	8.9%

International Equities (MSCI indices)

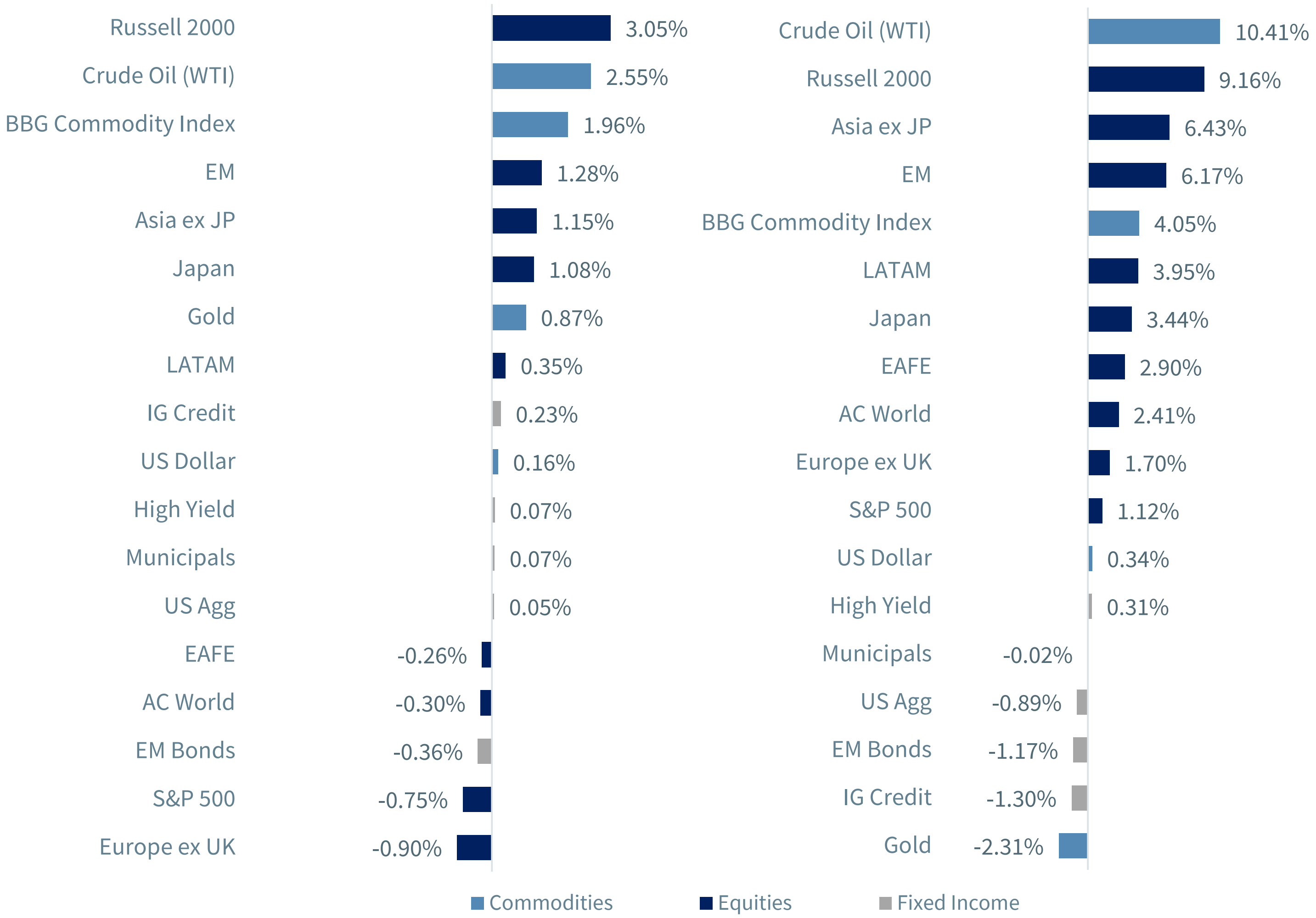
	Dev. Mkt	World	Emerg. Mkt
Large Cap	3.5%	2.3%	6.6%
Mid Cap	3.1%	3.7%	4.8%
Small Cap	2.6%	5.7%	4.2%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	-0.6%	-2.0%
Invest. Grade	0.0%	-0.5%	-0.9%
High Yield	0.5%	0.3%	0.3%

Asset Class Performance | Weekly and Year-to-Date (as of January 14)**

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



**Weekly performance calculated from Wednesday close to Wednesday 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 January 14

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	3795.5	(0.2)	1.1	1.1	17.7	13.0	16.9	13.7
DJ Industrial Average	30991.5	(0.2)	1.3	1.3	7.1	6.3	13.6	10.1
NASDAQ Composite Index	13112.6	0.3	1.7	1.7	41.7	21.7	23.2	16.9
Russell 1000	4135.7	(0.0)	1.5	1.5	16.2	11.7	15.2	19.8
Russell 2000	5356.6	2.8	9.2	9.2	2.5	0.9	7.9	12.5
Russell Midcap	7319.7	1.0	4.0	4.0	5.3	5.9	9.9	15.8

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	481.1	(0.6)	5.6	5.6	30.2	8.9	16.8	9.5
Industrials	760.8	0.2	1.5	1.5	10.1	6.0	14.2	11.8
Comm Services	213.1	(3.4)	(3.8)	(3.8)	14.9	12.2	11.2	9.8
Utilities	317.3	1.0	(0.6)	(0.6)	(0.5)	11.2	11.1	11.1
Consumer Discretionary	1337.2	0.6	2.7	2.7	35.4	18.3	19.8	17.8
Consumer Staples	678.5	(1.1)	(2.5)	(2.5)	7.6	8.2	9.2	11.5
Health Care	1358.9	(0.2)	2.7	2.7	15.2	12.5	13.6	15.9
Information Technology	2263.0	(0.9)	(1.2)	(1.2)	37.2	26.5	29.1	20.0
Energy	336.1	7.4	17.5	17.5	(21.7)	(12.7)	(0.9)	(1.5)
Financials	522.8	1.7	6.8	6.8	4.7	4.8	14.5	11.0
Real Estate	222.9	1.5	(2.1)	(2.1)	(4.8)	8.4	7.7	9.6

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	0.0	0.5	1.5	1.1	0.6
2-Year Treasury (%)	0.1	(0.0)	(0.0)	(0.0)	3.0	2.6	1.6	1.2
10-Year Treasury (%)	1.1	(0.5)	(2.0)	(2.0)	7.5	6.1	3.4	4.2
Barclays US Corporate High Yield	4.9	0.1	0.3	0.3	6.8	6.1	9.0	6.7
Bloomberg Barclays US Aggregate	1.2	(0.0)	(0.9)	(0.9)	6.0	5.2	4.1	3.7
Bloomberg Barclays Municipals		(0.0)	(0.0)	(0.0)	4.3	4.8	3.7	4.9
Bloomberg Barclays IG Credit	1.9	0.1	(1.3)	(1.3)	7.8	6.7	6.4	5.5
Bloomberg Barclays EM Bonds	3.7	(0.4)	(1.2)	(1.2)	4.6	5.1	6.9	5.8

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	53.6	2.7	10.8	10.8	(8.2)	(5.9)	11.4	(5.2)
Gold ($/Troy Oz)	1841.8	(4.1)	(2.4)	(2.4)	19.2	11.6	11.1	3.0
Dow Jones-UBS Commodity Index	81.2	1.1	4.1	4.1	1.1	(2.9)	1.7	(6.7)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	90.2	0.5	0.3	0.3	(7.3)	(0.3)	(1.8)	1.3
US Dollar per Euro	1.2	(1.0)	(0.8)	(0.8)	9.1	(0.0)	2.3	(1.0)
US Dollar per British Pounds	1.4	1.0	0.1	0.1	5.1	(0.0)	(1.0)	(1.5)
Japanese Yen per US Dollar	103.8	(0.1)	0.6	0.6	(5.6)	(2.3)	(2.5)	2.3

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	661.6	0.6	2.4	2.4	17.9	10.1	15.1	9.7
MSCI EAFE	2209.4	0.8	2.9	2.9	11.0	4.5	10.3	6.1
MSCI Europe ex UK	2358.4	(0.3)	1.7	1.7	13.2	5.5	11.1	6.9
MSCI Japan	3987.7	2.9	3.4	3.4	18.6	6.0	11.5	7.0
MSCI EM	1370.8	3.7	6.2	6.2	22.8	7.2	16.7	4.5
MSCI Asia ex JP	897.1	3.7	6.4	6.4	29.0	9.2	17.5	7.3
MSCI LATAM	2546.6	1.8	3.9	3.9	(10.0)	(2.0)	12.0	(2.8)
Canada S&P/TSX Composite	14190.5	(0.4)	3.0	3.0	3.5	3.3	7.8	2.9

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

DISCLOSURES

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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. A credit rating of a security is not a recommendation to buy, sell or hold the security and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning Rating Agency. Ratings and insurance do not remove market risk since they do not guarantee the market value of the bond.

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 SOURCE

FactSet, as of 1/15/2021

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.

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.

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.

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.

MOVE | The MOVE Index is a well-recognized measure of U.S. interest rate volatility that tracks the movement in U.S. Treasury yield volatility implied by current prices of one-month over-the-counter options on 2-year, 5-year, 10-year and 30-year Treasuries.

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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