THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Key Takeaways

4Q20 Earnings Season Is About To Be 'Rockin' N' Rollin''

Revisions 'Marching To The Beat Of Their Own Drum'

2021 Earnings Rebound Could 'Soothe' The Market's 'Soul'

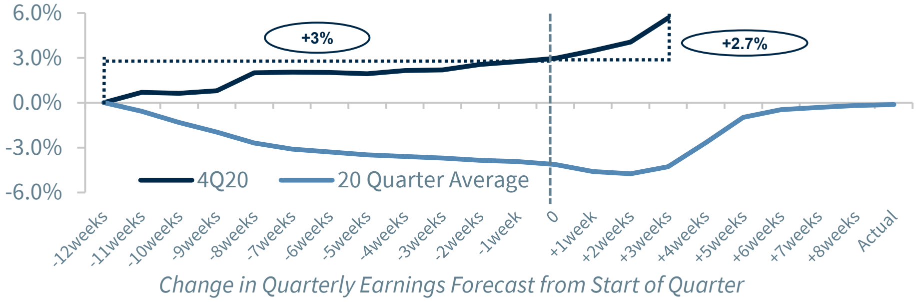
Tomorrow is the 35th Anniversary of the first induction into the Rock and Roll Hall of Fame. The first class was filled with influential artists and producers, including Elvis Presley, James Brown, Ray Charles, Buddy Holly, and Jerry Lee Lewis—all of whom were instrumental in shaping the genre. Coincidently, the Rock and Roll Hall of Fame museum (Cleveland, Ohio) built to honor these music legends was finally able to reopen its doors this past Sunday after closing a second time in November due to the COVID-19 pandemic. While it will still be several months before concert goers can listen to their favorite artists in person, the 4Q20 earnings season is about to be 'rockin' n' rollin'' over the next two weeks, as 225 companies representing ~68% of the S&P 500's market capitalization are set to report results.* This week, we'll borrow song titles and lyrics from the first inductees to discuss the trends this earnings season may 'drum up' as well as reiterate our earnings outlook for the year ahead.

- **Great Balls Of Fire! Earnings Revisions Break From Traditional Path |** Over the last 20 quarters, the trajectory for quarterly earnings forecast revisions have followed a similar path. In the 12 weeks preceding the start of each earnings season, weakening expectations have resulted in a downward revision 85% of the time, with the forecast lowered 4.1%, on average. However, the earnings revision path for the final two quarters of 2020 has 'marched to the beat of its own drum,' breaking from the historical norm of trending lower and lowering expectations and instead rising 4.0% and 3.0%, respectively, to raise the bar.
- **'I Got A Feelin' Above Average Earnings Beats Will Occur Again |** Historically, once earnings season is underway, estimates move higher on a steady stream of 'beats.' While we are still early in this 4Q20 earnings season, earnings and sales results have both far exceeded estimates and their respective previous 20-quarter averages. In fact, the aggregate earnings surprise thus far of 20.4% is nearly 3.3x the previous 20-quarter average of 6.3%. This trend of above-average earnings beats began in the second quarter, and while we expect it will hold, it is unlikely the 'beats' will exceed that of the 2Q20 earnings season: +23.6%—the best quarter on record. If a record is to be broken this earnings season, it may be the percentage of companies that exceed estimates on both the top and bottom line. Currently, 87% of companies have beat earnings estimates and 80% of companies have beat sales estimates, both of which are at the highest levels on record and well above their previous 20-quarter averages of 74% and 63%, respectively. Given the strength that we've seen thus far, we expect the current S&P 500 4Q20 earnings estimate of an 8% decline to improve and get closer to the flattish level (just modestly negative).
- **COVID-19 Caused 'A Whole Lotta Shakin' To Corporate Earnings |** The COVID-19 pandemic resulted in the worst quarter of economic growth since the Great Recession (2Q20: -32% year-over-year) and likely four consecutive quarters of negative earnings growth—the longest streak since 2002. With consensus estimates indicating a rebound starting with the first quarter of this year, 4Q20 earnings should be the final quarter of negative growth.* Between the ramp up in vaccine dissemination and the 7-day average of new COVID-19 cases seemingly on the decline, there is optimism for the year ahead. However, the fourth quarter encompassed the worst days for the virus yet (e.g., peak in daily cases, hospitalizations, and deaths) and we anticipate the vast levels of sector and industry dispersion to remain during 4Q20. In fact, the difference between the earnings estimates for the best and worst performing sector this season is nearly 120% (Financials +10.4% versus Energy -107.6%, year-over-year basis).*
- **Doubtful Tech & Health Care Earnings Cause 'A Mess Of Blues' |** Some of the largest Big Tech and Health Care companies (e.g., Microsoft, Apple, Johnson & Johnson, Pfizer) will release earnings in the next two weeks. These two sectors are critical to our earnings outlook, as the combined earnings from the Info Tech and Health Care sectors are projected to make up ~45% of total S&P 500 earnings in 4Q20. Both these sectors typically beat EPS estimates on aggregate by a greater magnitude than the overall index (Tech and Health Care tend to beat by an average of 7% and 6%, respectively over the last 20 quarters) so continued 'beats' by these sectors will continue to increase our confidence in our above consensus 27% earnings growth ($175) forecast for 2021.*
- **'That'll Be The Day' When Earnings Reach Record Highs |** The previous S&P 500 record earnings level (on a 4-quarter trailing basis) was $162, as of 3Q19. We believe that S&P 500 earnings are likely to return to record high levels in 3Q of this year on its way to generating $175 for the entire year. It is interesting to note that on a trailing 4Q basis, all sectors are not created equally as only five of the 11 sectors are expected to see earnings rise back to pre-pandemic levels in 2021. More importantly, two of our favorite sectors—Tech and Health Care—are the only two sectors that have continued to notch record earnings through the pandemic in each quarter throughout 2020 and are expected to continue to do so in 2021. This reflects the dynamism, strength and resilience of these sectors, and the positive fundamental backdrop for both.

CHART OF THE WEEK

Earnings Revisions Marching To The Beat Of Their Own Drum

Historically, earnings revisions decline 4.1% over the 12 weeks preceding the start of the earnings season. However, for this current earnings season (4Q20) earnings have been revised 3.0% higher.



*See Charts of the week on page 3.

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ECONOMY

- Single-family building permits and housing starts were stronger than expected in December, reflecting ongoing strength in housing demand.* Homebuilder sentiment declined in January (still relatively strong by historical standards), reflecting supply constraints.
- Jobless claims fell to 900,000 in the last week, still elevated (claims totaled 220,000 for the same week a year ago) – however, the jump in the first two weeks of 2021 may reflect refilings after pandemic benefits lapsed (temporarily) at the end of 2020.
- **Focus of the Week**: Real GDP is expected to have risen at about a 6% annual rate in the advance estimate of 4Q20 GDP, which would leave us 2% lower than in 4Q19. The Conference Board's Consumer Confidence Index is expected be little changed in January, despite the COVID surge and some disappointing economic data (i.e., employment data).

January 25 – January 29

MON		WED	FOMC Meeting	FRI	Personal Consumption Expenditures
TUE	Consumer Confidence Survey	THU	Real GDP (4Q20 adv. Est.)	FUTURE EVENTS	2/4 Durable Goods Orders 2/5 Unemployment Rate

US EQUITY

- Over the past couple of days, we have seen some rotation back into the more technology-oriented areas. The Nasdaq Composite was able to break to new highs, whereas the Russell 2000 moved slightly lower (-0.6% for the week as of Wednesday). This is also seen in growth stocks regaining some ground, while value cools off. Two days do not make a trend, but it would not surprise us to see some consolidation in the 'recovery' areas. The small-cap index is up 33% since the early November vaccine news, and S&P 500 sectors such as Energy and Financials are up 51% and 24%, respectively since then.
- **Focus of the Week:** Q4 earnings season is off to a solid start fundamentally. 87% of S&P 500 companies are beating their earnings estimates by an aggregate surprise of 20.4% so far, in line with the historically strong Q2 and Q3 results. Less than a week into the reporting period, S&P 500 earnings estimates for the full quarter have already been revised 2.7% higher. It is far too early to determine if this will be the pattern for the full quarter, but the extreme run-up in the more cyclical areas over recent months has likely set the bar a little high.

FIXED INCOME

- The FOMC meets next week and the expectation is that the Fed leaves a zero interest rate policy in place. The economy is still showing signs of needing a boost (i.e., jobless claims totaled 900,000.) Therefore, we believe at the very least, the Fed is likely to keep the current policy framework in place, with limited risk of tapering, in 2021.
- **Focus of the Week:** The focus for the week is on the 10-year note, which broke through the 1.00% yield barrier and has traded between 1.08%-1.15% since January 8. We believe we will test the bottom of this range (1.08%/prices up) in the upcoming week based on notes or comments from the Tuesday-Wednesday FOMC meeting.

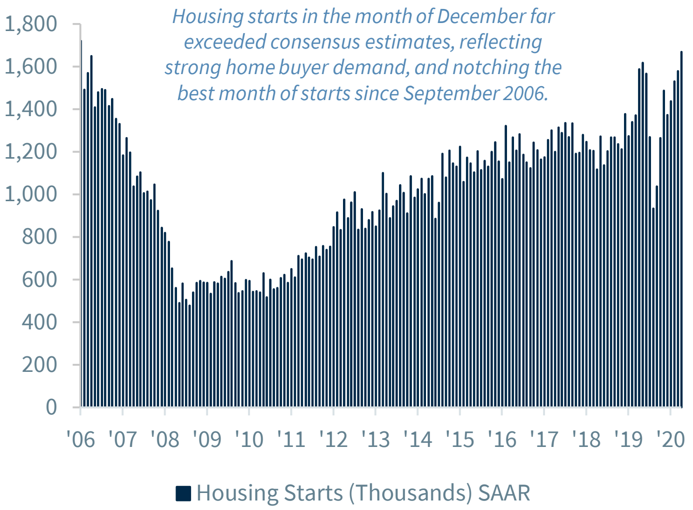
COVID-19 & POLITICS

- In the US, more than 25 million identified cases and more than 420,000 identified deaths attributable to the coronavirus have been counted. Although cases, fatalities, and hospitalizations remain very elevated, they have all ticked slightly downward this week. The 7-day average daily case count stands at ~200,000, a ~20% reduction compared to last week's 240,877.* The 7-day average daily fatality count stands at 3,043, an 8.8% tick downward compared to last week's 3,335. Additionally, the 7-day average daily hospitalized patient count stands at 125,297, a slight 4.2% decrease compared to last week's 130,829. Our seven-day average positivity rate over the past week was 9.8%, an improvement compared to last week's 12.3%, but still well above the goal of a maximum of 5%, and ideally lower, tests returning positive to signal adequate supply. Despite ongoing improvements, January has already been the second-deadliest month of the pandemic in the US so far, with almost 60,000 dying in January 2021 alone (second only to December's 76,867). Modest improvements suggest that holiday-related surges may be tempering, and vaccines are gradually making their way through vulnerable populations and frontline workers.
- It has been approximately one month since the first COVID vaccinations were authorized (Pfizer/BioNTech, then Moderna). Generally speaking, implementation of vaccines has been slower than many would like and highly criticized, but it is important to remember that slow vaccine rollouts are a worldwide phenomenon (not just a US issue) and largely a supply issue at this point (although logistics and communications in the US could be improved as well). Over 17 million doses have been administered to date in the US and the current daily rate is just under one million. In our view, recent declines in cases and hospitalizations are in part due to vaccinations, particularly in high-risk populations like nursing homes. On a per capita basis, the only countries that have administered more doses than the US are Israel, the UAE, Bahrain, and the UK. As has been widely reported, several new variants of the SARS-CoV-2 virus have emerged (commonly referred to as the UK and South Africa variants). Early data suggests current vaccines should still be effective against the new variants and others that may emerge in the future, but overall effectiveness could be reduced in some individuals.
- **Focus of the week:** President Biden's overall inaugural message of unity will be met with the legislative reality of a slim Democratic majority in a deeply divided Congress once rhetoric moves into the policy action phase. In the near term, we anticipate the market will focus on agenda items that are seen as positive for the economy and market – including Biden's COVID response, 'act big' approach to stimulus, as much as $4 trillion in infrastructure spending, and immigration reform (viewed by economists as GDP positive). In the medium term, optimism may turn to reality as fights to achieve much of the agenda will likely take longer than expected (as almost everything in Washington does). Long term the market impact will be driven by the success of these legislative battles, the COVID recovery, and any action by the Biden Administration to implement tax increases to pay for these priorities. The immediate priority for the new administration will be pandemic response – measures we largely see as market positives. In the longer term, tax increases may weigh on market sentiment, as incoming Treasury Secretary Janet Yellen pointed to revenue raising discussions as part of the administration's longer-term considerations to pay for the larger ticket items of Biden's domestic agenda.

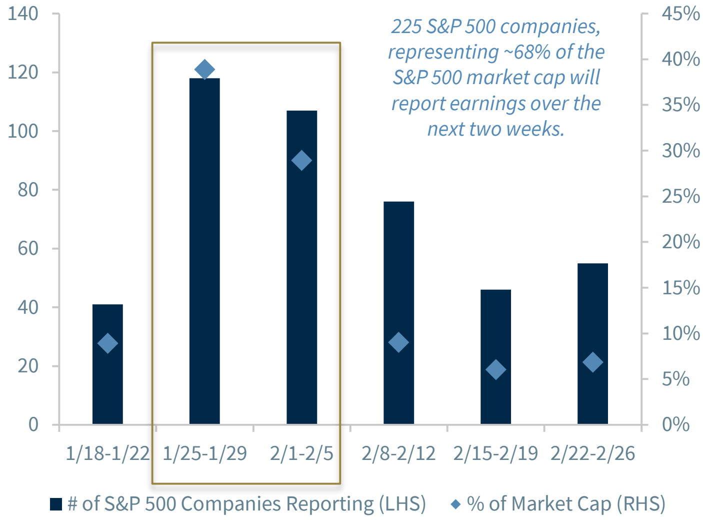
* See Charts of the week on page 3.

Charts of the Week

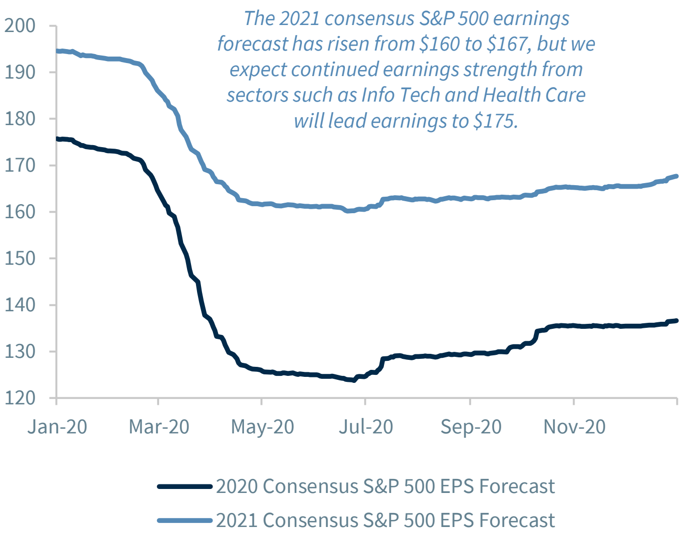
Best Month of Housing Starts Since 2006



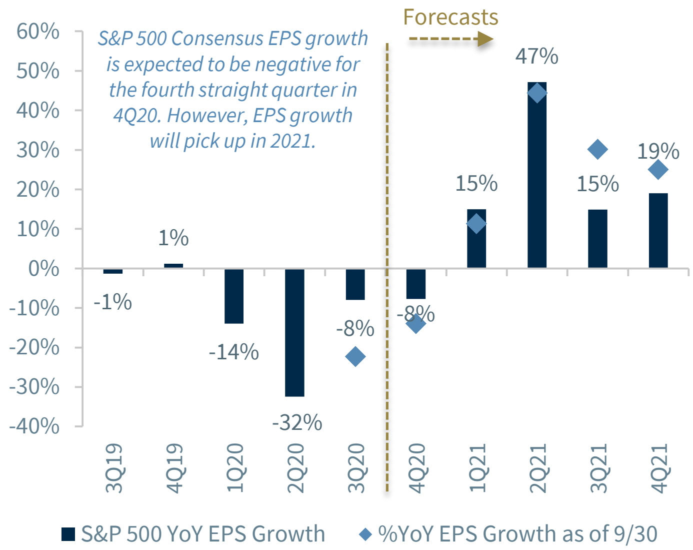
4Q20 Earnings Season to Ramp Up Next Week



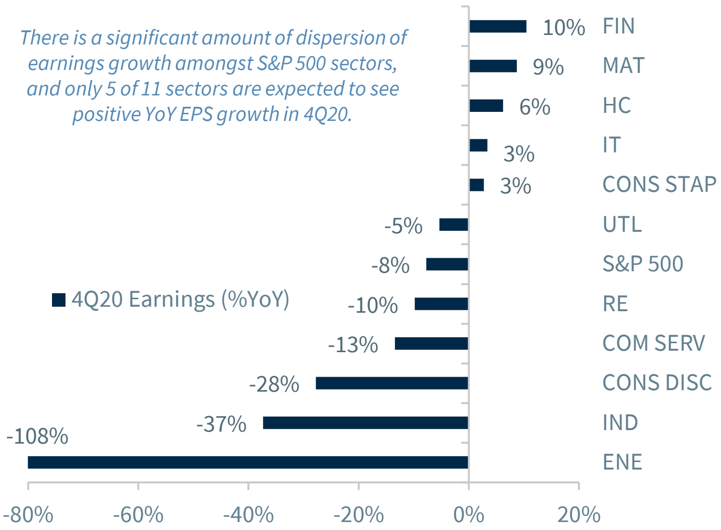
Earnings Estimates May Be Underestimated



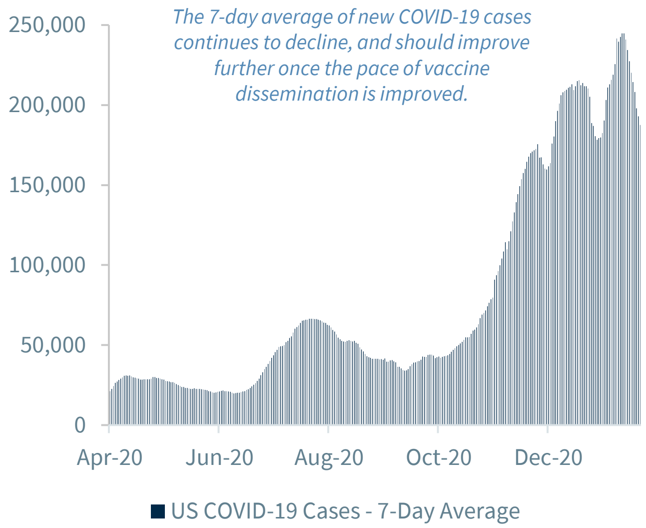
Likely Fourth Straight Quarter of Negative EPS Growth



Significant Dispersion Amongst Sector EPS Growth



7-Day Case Average Starting to Decline



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Asset Class Performance | Distribution by Asset Class and Style (as of January 21)**

Weekly Returns (as of January 21)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	-0.6%	1.4%	3.4%
Mid Cap	-0.4%	0.2%	1.2%
Small Cap	-1.4%	-0.6%	0.1%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	-0.2%	1.4%	3.0%
Mid Cap	0.1%	0.1%	-0.1%
Small Cap	0.4%	-0.1%	0.3%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	0.2%	0.2%
Invest. Grade	0.0%	0.1%	0.1%
High Yield	0.4%	0.3%	0.5%

Year-to-Date Returns (January 21)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	3.1%	2.9%	2.7%
Mid Cap	4.2%	4.1%	4.1%
Small Cap	7.9%	8.5%	9.0%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	3.2%	3.7%	9.9%
Mid Cap	3.2%	3.8%	4.7%
Small Cap	3.0%	5.6%	4.5%

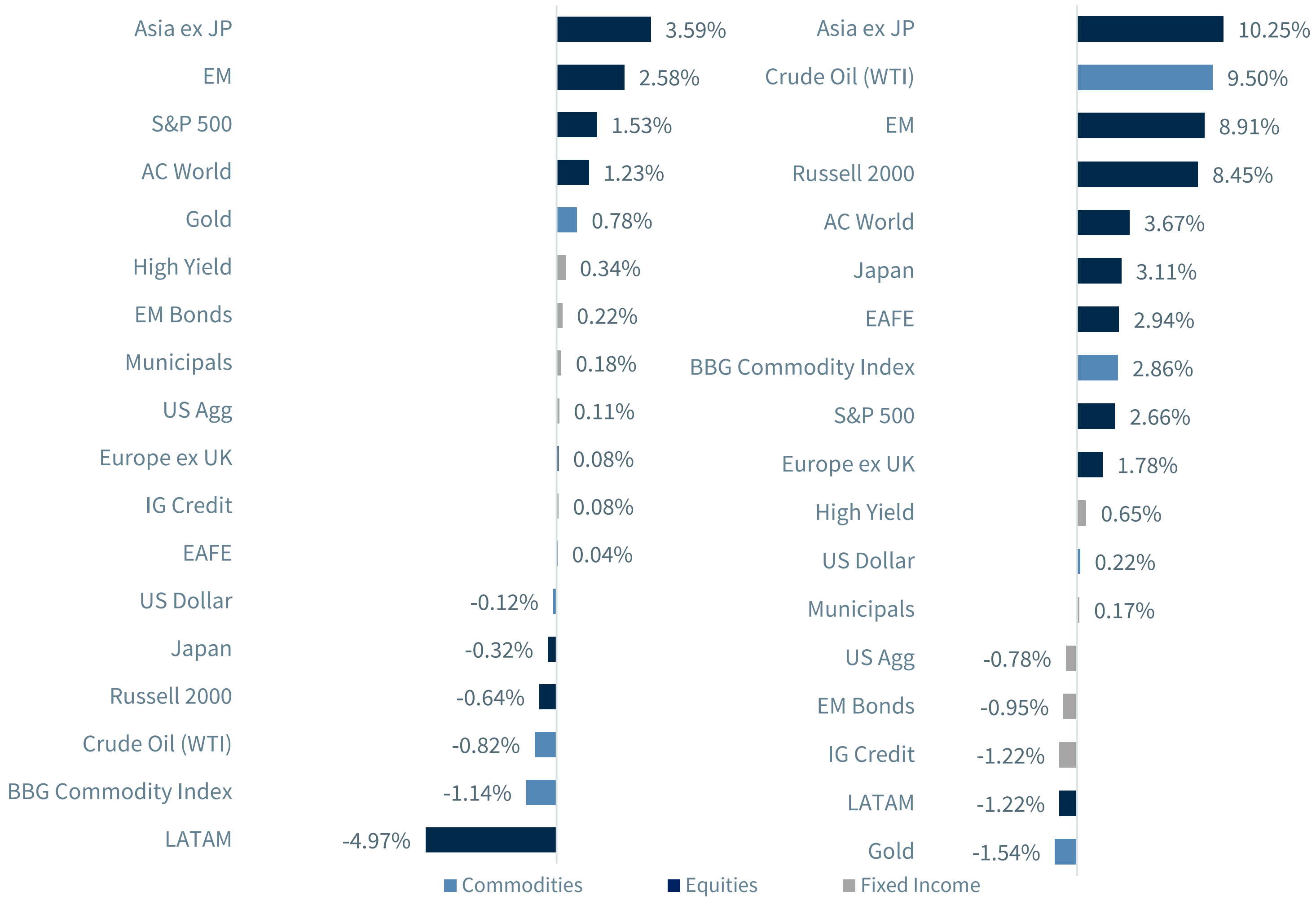
Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	-0.4%	-1.7%
Invest. Grade	0.0%	-0.4%	-0.7%
High Yield	0.9%	0.6%	0.8%

Asset Class Performance | Weekly and Year-to-Date (as of January 21)**

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).

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Weekly Data**

Data as of January 21

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	3853.1	1.5	2.7	2.7	18.2	13.2	17.9	13.9
DJ Industrial Average	31176.0	0.6	1.9	1.9	6.8	6.1	14.4	10.1
NASDAQ Composite Index	13530.9	3.2	5.0	5.0	44.4	22.6	24.8	17.5
Russell 1000	4193.4	1.4	2.9	2.9	21.0	14.8	15.6	14.0
Russell 2000	5322.0	(0.6)	8.5	8.5	20.0	10.2	13.3	11.2
Russell Midcap	7331.5	0.2	4.1	4.1	17.1	11.6	13.4	12.4

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	470.4	(2.2)	3.2	3.2	26.6	8.1	17.0	9.6
Industrials	752.1	(1.1)	0.4	0.4	8.8	5.9	14.6	11.6
Comm Services	225.9	6.0	2.0	2.0	19.6	14.2	12.3	10.6
Utilities	319.2	0.6	0.0	0.0	(3.5)	11.6	11.6	11.1
Consumer Discretionary	1372.5	2.7	5.4	5.4	38.0	19.1	20.7	18.2
Consumer Staples	671.7	(0.9)	(3.4)	(3.4)	5.0	7.0	9.3	11.4
Health Care	1374.7	1.2	3.9	3.9	14.9	12.3	14.2	16.1
Information Technology	2346.6	3.7	2.5	2.5	39.3	27.4	30.9	20.6
Energy	319.1	(5.1)	11.6	11.6	(23.3)	(13.8)	(0.9)	(1.9)
Financials	507.8	(2.9)	3.7	3.7	1.9	3.5	14.9	10.8
Real Estate	228.6	2.6	0.4	0.4	(5.0)	9.0	8.9	9.8

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	2.9	2.7	1.6	1.2
10-Year Treasury (%)	1.1	0.2	(1.7)	(1.7)	7.2	6.4	3.3	4.3
Barclays US Corporate High Yield	4.9	0.3	0.6	0.6	7.1	6.2	9.5	6.7
Bloomberg Barclays US Aggregate	1.2	0.1	(0.8)	(0.8)	5.8	5.4	4.1	3.8
Bloomberg Barclays Municipals		0.2	0.2	0.2	4.2	4.8	3.7	4.8
Bloomberg Barclays IG Credit	1.9	0.1	(1.2)	(1.2)	7.2	7.0	6.5	5.5
Bloomberg Barclays EM Bonds	3.7	0.2	(0.9)	(0.9)	4.5	5.3	7.1	5.9

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	53.0	1.3	9.7	9.7	(9.0)	(5.8)	12.4	(5.0)
Gold ($/Troy Oz)	1862.1	1.1	(1.4)	(1.4)	20.0	11.7	11.2	3.3
Dow Jones-UBS Commodity Index	80.3	(1.1)	2.9	2.9	1.4	(3.2)	1.7	(6.8)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	90.1	(0.1)	0.2	0.2	(7.6)	(0.2)	(1.9)	1.4
US Dollar per Euro	1.2	0.1	(0.7)	(0.7)	9.5	(0.2)	2.3	(1.1)
US Dollar per British Pounds	1.4	0.3	0.4	0.4	5.1	(0.3)	(0.6)	(1.5)
Japanese Yen per US Dollar	103.6	(0.2)	0.3	0.3	(5.8)	(2.2)	(2.5)	2.3

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	669.6	1.2	3.7	3.7	18.6	10.1	16.1	10.0
MSCI EAFE	2210.0	0.0	2.9	2.9	10.7	4.1	11.3	6.1
MSCI Europe ex UK	2359.6	0.1	1.8	1.8	12.3	5.1	11.8	6.7
MSCI Japan	3974.9	(0.3)	3.1	3.1	18.6	5.3	13.0	7.2
MSCI EM	1406.1	2.6	8.9	8.9	27.8	7.4	18.5	5.0
MSCI Asia ex JP	929.3	3.6	10.2	10.2	36.2	9.9	19.4	7.9
MSCI LATAM	2420.0	(5.0)	(1.2)	(1.2)	(13.5)	(4.6)	12.2	(3.1)
Canada S&P/TSX Composite	14196.7	(0.2)	2.8	2.8	2.0	3.1	8.3	3.1

**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 1/22/2021

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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