THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Sunday is the summer solstice, the longest day of the year and the beginning of the astronomical summer. The day is thought of as the perfect time of year as Americans get as many as eight additional hours of sunlight relative to the shortest day of the year in December and temperatures are mild relative to the heat and humidity of July and August. However, that perfection does not last long and dissipates as we go through the summer. Similarly, the equity markets are seemingly priced to perfection with both the S&P 500 and NASDAQ hitting record highs this week, and still remaining within reach of all-time highs despite increased volatility surrounding the Fed's Wednesday meeting. While fundamentals supporting equities are still intact (e.g., low interest rates, solid earnings growth), there are some catalysts that could turn up the volatility heat in the upcoming weeks.

Key Takeaways

Fed Shifted Near-Term Rather Than Long-Term Forecasts

Deadline For Bipartisan Deal Quickly Approaching

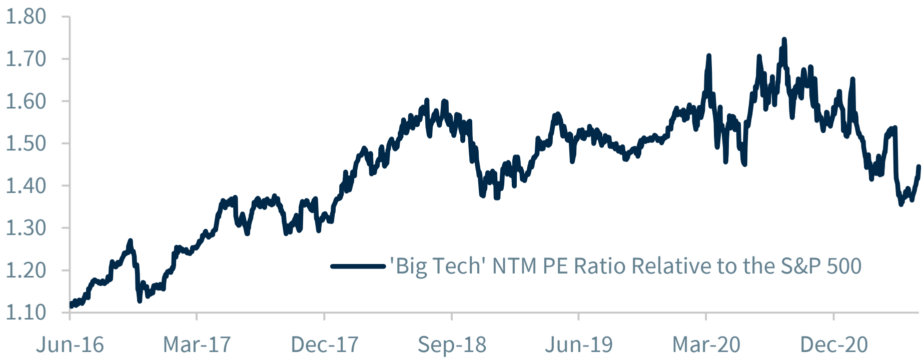
Strong Earnings Have Made Valuations More Attractive

- **Fed Commentary Hot Off The Press |** At this week's June Federal Open Market Committee Meeting, the Fed upgraded their 2021 economic growth forecast (to 7.0% from 6.5%), lifted its core inflation target (from 2.2% to 3.0%) and saw the new 'dot plot' imply potentially two interest rate hikes in 2023 (versus zero previously). More importantly, the Fed only minimally adjusted its 2022 and 2023 economic projections and kept its longer-run forecasts unchanged. Our interpretation: the Fed right-sized their expectations for this year given the favorable data over the last few months but remains resolute that future economic growth will moderate with the recent inflation surge being viewed as transitory. From a market perspective, better economic growth is a positive for earnings and the commentary by Chairman Powell suggesting that the economy still needs "substantial further progress" before tapering begins should comfort the bond market. As the Chairman acknowledges that the Fed will discuss tapering its bond purchases, there is no set timetable. Potential near-term data points that could alter market expectations include the next jobs report (July 2), CPI (July 13) and the minutes of this meeting (July 7). Our view is that the Fed will begin to taper its bond purchases late this year or early next year and that there will be no change to short-term interest rates until 2023.
- **Too Many Hot Buttons For Bipartisan Path |** This week, the $1 trillion bipartisan infrastructure proposal was endorsed by 21 Democratic and Republican senators. While the plan purposefully accounts for two of the major sticking points between both parties—no tax increase on either corporations or the top income bracket and the exclusion of clean energy funding to reduce the size of the bill—it will have difficulty capturing enough support from Senators at the polar ends of the political spectrum. With the White House's deadline for a broadly accepted bipartisan deal quickly approaching next week, the anticipated failure will lead to the Democrats employing the reconciliation process. While increased tax rhetoric headlines may lead to interim volatility, especially with tax increases for corporations and wealthy individuals, the final result will likely be less onerous than the initial proposals. For example, the corporate tax rate, if increased, is likely to be raised to 25%, not 28%, from the current 21% level. And remember, historically, as long as the economy remains strong, modest tax increases do not end the equity bull market.
- **Temperatures Rising Between The US & China |** Many thought President Biden's stance toward China would be less aggressive, but his administration is standing firm in protecting US interests. In recent weeks, Biden met with political leaders throughout Europe to ensure our allies will consider a coordinated effort in resolving grievances with China. Add in the potential for the delisting of Chinese companies which fail to comply with auditing standards, the possibility of a pro-Taiwan bill, and the reemerging allegations against the Wuhan lab as the source of COVID-19, and there is reason to assume that China may soon retaliate—a déjà vu scenario for equity investors who experienced the volatility related to the 2019 trade tensions.
- **Companies May Catch Heat For Missing Earnings Estimates |** The bar for earnings expectations has continually moved higher, with earnings estimates for the S&P 500 rising 14% and 9% for 2021 and 2022 since the start of the year alone.* The results from the second quarter are anticipated to be among the best yet given the stage of reopening that most developed countries were able to reach during this quarter, with year-over-year quarterly earnings growth possibly exceeding 60% for the first time since at least 2002. In addition, the continuation of above-average earnings growth has made valuations much more attractive. In fact, the collective price-to-earnings ratio for the largest tech-oriented names (Facebook, Amazon, Apple, Netflix, Alphabet, & Microsoft) is trading at the lowest multiple relative to the S&P 500 since 2018 due to its consistently strong earnings and sales beats.

CHART OF THE WEEK

Big Tech Valuations Becoming More Attractive

Given the stronger earnings beats amongst some of the larger tech names, the valuations of these companies have gotten more attractive. In fact, the valuation of an equally-weighted basket of some of the largest tech-oriented names is near the lowest level relative to the S&P 500 since 2018.*



*Largest tech-oriented names includes Facebook, Apple, Amazon, Netflix, Alphabet and Microsoft

* See Charts of the week on page 3.

ECONOMY

- As expected, the FOMC left short-term interest rates unchanged and did not alter the monthly pace of asset purchases. Fed officials revised their expectations for 2021 growth and inflation higher, but the increase in inflation is still expected to be transitory. Officials generally expect inflation to fall back to just above the 2% goal in 2022. Many of the dots in the dot plot moved forward with 13 of 18 Fed officials anticipating an increase in short-term interest rates by the end of 2023 (compared to 7 of 18 in March).
- Retail sales fell 1.3% in May (down 0.7% ex-autos), but remained ~12% above the pre-pandemic trend (about 9% ex-autos).*
- The Producer Price Index (PPI) rose 0.8% in May (+6.6% y/y), as pipeline pressures remained elevated.* Import prices rose 1.1% (+11.3% y/y), reflecting pressures in industrial supplies and materials; however, inflation in prices of finished goods remain mild.
- **Focus of the Week**: Next week, May figures on durable goods orders, personal income and spending, merchandise trade, and inventories will help to piece together GDP estimates for 2Q21. The PCE Price Index should echo the large increase seen in the CPI.

June 21- June 25

MON		WED	Markit PMI	FRI	Personal Consumption Expenditures (PCE)
TUE	Powell Testimony to Congress	THU	Durable Goods Orders Bank Stress Tests Released	FUTURE EVENTS	6/29 Consumer Confidence 7/2 Employment Report

US EQUITY

- Still low interest rates are a broad tailwind for equities. The S&P 500 equity risk premium is currently 2.4%, which is at the lower-end of the post-credit crisis era but still well above the historical average (since 1960) of 0.6%. Additionally, the S&P 500 dividend yield is currently 1.45% while the US 10-year Treasury yield is at 1.51%.* It is historically unusual for the two yields to be roughly even and there have only been four periods on record when dividend yields have been higher than bond yields: the 2008 credit crisis, 2012 EU debt crisis, 2015/16 manufacturing recession, and 2020 pandemic. All of these periods presented long-term buying opportunities and, as the metric moved back in favor of bond yields (as could be occurring now), equity market returns remained solid. Pullbacks are bound to occur and the rate of ascent is due to moderate, but we expect to see positive intermediate-term trends continue.
- **Focus of the Week:** As (and if) this rotational market continues to transpire, we recommend using pullbacks at the sector and stock level as buying opportunities. Thus, we recommend using the current digestion phase in rates as an opportunity to accumulate value, as well as the banks. For example, the banks are oversold in the short term with 0% of stocks above their 10- and 20-day moving averages, though this is occurring within a strong intermediate-term uptrend (100% of banks are above their 200 DMA).

FIXED INCOME

- 10-year Treasury yields rose sharply after the FOMC meeting, climbing ~10 bps before settling back down to 1.51% by week's end. Although the Fed held interest rates steady and maintained the pace of asset purchases, the market was surprised that the dot plot is now signaling rate hikes in 2023. While Powell didn't commit to a timeline for dialing back asset purchases, he did suggest that the discussion is on the table for upcoming meetings. However, this isn't really an extreme event nor a change in Fed policy which is still accommodative, purchasing $120B in Treasurys and mortgage debt every month. With stimulus programs, government asset purchases, and the Fed still at least 2 years away from moving short-term rates, be careful not to get too far ahead of today's reality.
- **Focus of the Week:** Yield-starved investors continue to inch out on the credit curve in search of higher returns. This week, the yield for buying the most speculative grade bonds fell to its lowest on record (3.92%). Spreads on the ICE BofA Merrill Lynch High Yield Index have narrowed to 317 bps, the tightest level since October 2018. Due to its lower interest rate sensitivity and high correlation to equities, high yield has been one of the best performing sectors in the bond market this year, with the HY index returning 3%.*

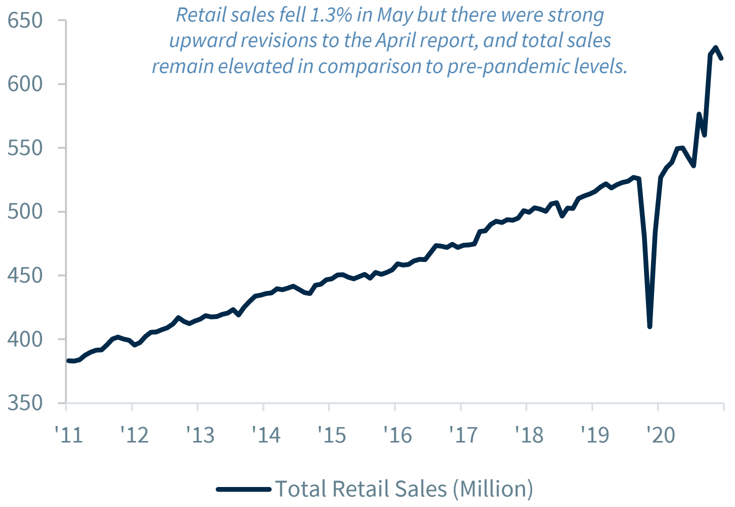
POLITICS & ENERGY

- **Geopolitics:** Focus on countering China's economic practices at the G7 Summit will lead to increased attention on further confrontation and economic decoupling between the US and China. We are closely watching China's new Anti-Foreign Sanctions Law, which in effect will force companies to choose between operating in China's market or abiding by US sanctions. However, we expect near-term reaction from China to remain muted, even though there is a growing list of legal tools by which China could retaliate against the US or other western companies. As we expect the Biden administration to maintain broadly hawkish policies, which could expand greater cooperation with European allies, the risks trend modestly higher for firms operating in China's market.
- **US Politics:** We expect the pace of antitrust actions to increase following the confirmation of Lina Khan to the FTC and her subsequent elevation to chair of the competition enforcement agency. Khan's margin of votes in the Senate is the latest signal of bipartisan desire to apply pressure in the antitrust space, especially directed at the most dominant US tech firms. Khan previously helped lead the investigation into dominant tech firms by the House antitrust panel, and focused on online marketplace monopolies which could target the business models of Apple, Amazon, and Google if pursued by the FTC. We are also closely watching the pending nomination for the head of the Antitrust Division at the Department of Justice to offer more insight into the direction of Biden's antitrust agenda, which continues to trend toward a potentially historic level of antitrust scrutiny in the years ahead. We expect regulatory pressure to rise before any impactful legislation is passed in Congress, which we see as a 2022 event at the earliest.
- **Energy:** As oil prices set fresh pandemic-era highs this week (with WTI crude at $73/Bbl and Brent crude at $75/Bbl) we are closely watching today's presidential election in Iran.* This election is a big deal from the standpoint of the nuclear talks and therefore the prospect of lifting US sanctions. At stake is incremental oil exports of 1.5-2 million barrels per day, just under 2% of global supply. The incumbent president Hassan Rouhani, who is a moderate, will be leaving office in two months. His successor will likely be Ebrahim Raisi, who is on the hardline end of the spectrum. At a minimum, we should expect the election of Raisi to slow down the nuclear talks, which would delay sanctions relief and therefore the revival of exports. Additionally, Raisi is an economic nationalist who does not share the current government's agenda of openness and foreign investment. A return to statist policies would make it even tougher for Iran's oil industry to get foreign capital and technology, curtailing room for future production growth, regardless of what happens with sanctions. From both a short-term and long-term perspective, today's election likely points to higher oil prices.

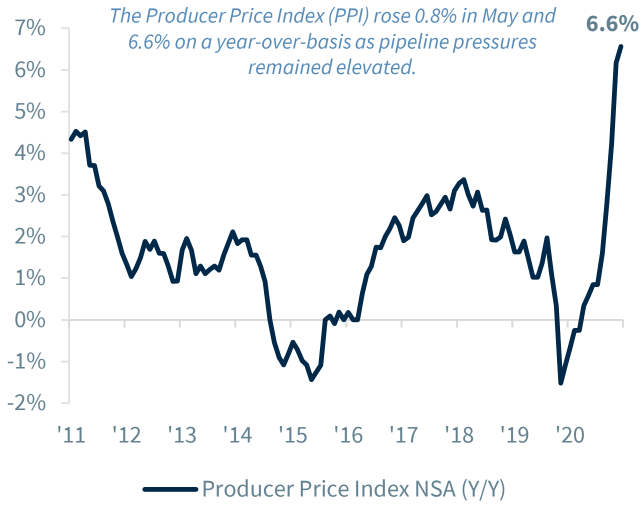
*See Charts of the week on page 3.

Charts of the Week

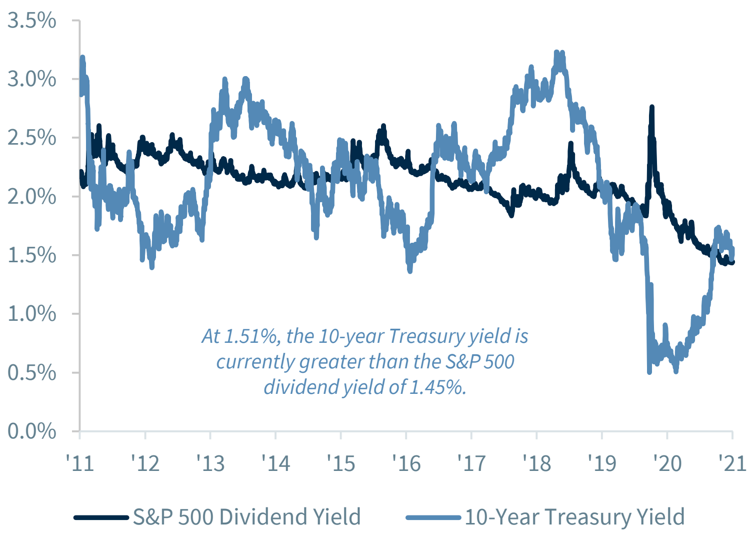
Retail Sales Far Above Pre-Pandemic Levels



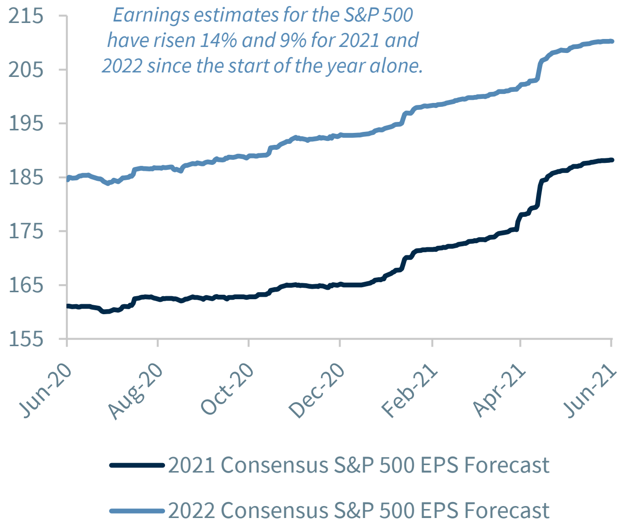
Producer Price Index Rises To Fastest Pace On Record



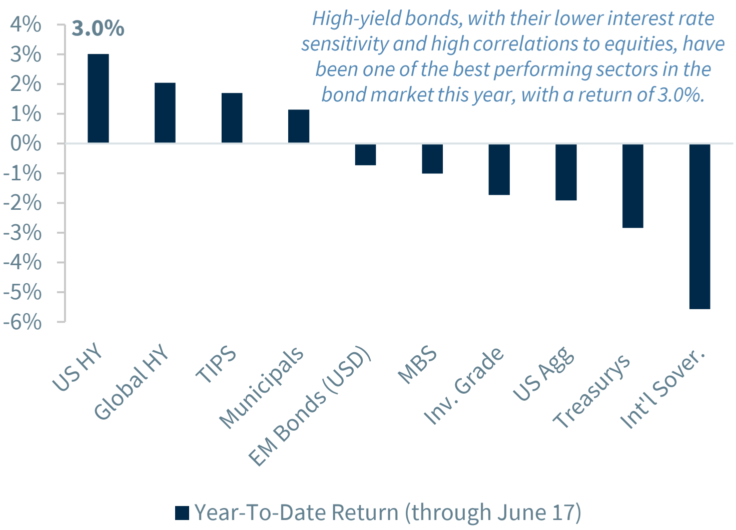
10-Year Treasury Yield Exceeds S&P 500 Dividend Yield



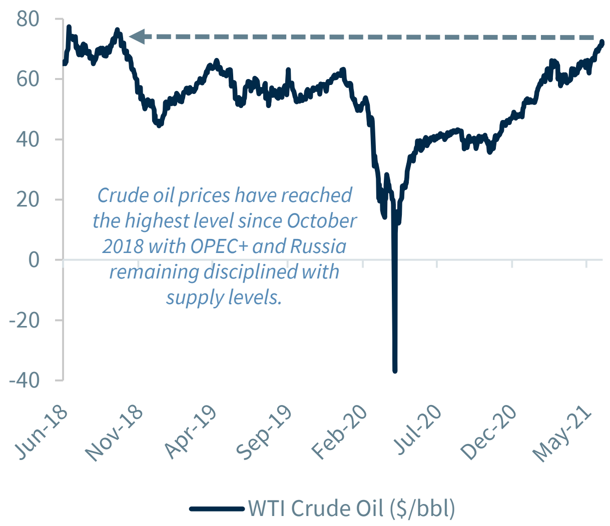
S&P 500 Earnings Estimates Moving Higher



High Yield—The Top Performing Fixed Income Sector*



WTI Crude Oil Prices At Highest Levels Since 2018



* Index definitions can be found on the disclosure pages

Asset Class Performance | Distribution by Asset Class and Style (as of June 17)**

Weekly Returns (as of June 17)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	-2.1%	-0.3%	1.4%
Mid Cap	-2.5%	-1.2%	1.4%
Small Cap	-1.9%	-1.0%	-0.1%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	1.0%	0.2%	-0.5%
Mid Cap	0.6%	-0.4%	-0.5%
Small Cap	-0.4%	-1.0%	0.0%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	-0.8%	-0.6%
Invest. Grade	-0.1%	-0.3%	-0.4%
High Yield	0.1%	0.0%	0.3%

Year-to-Date Returns (June 17)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	16.0%	12.8%	9.9%
Mid Cap	18.1%	14.0%	6.8%
Small Cap	27.3%	16.3%	6.2%

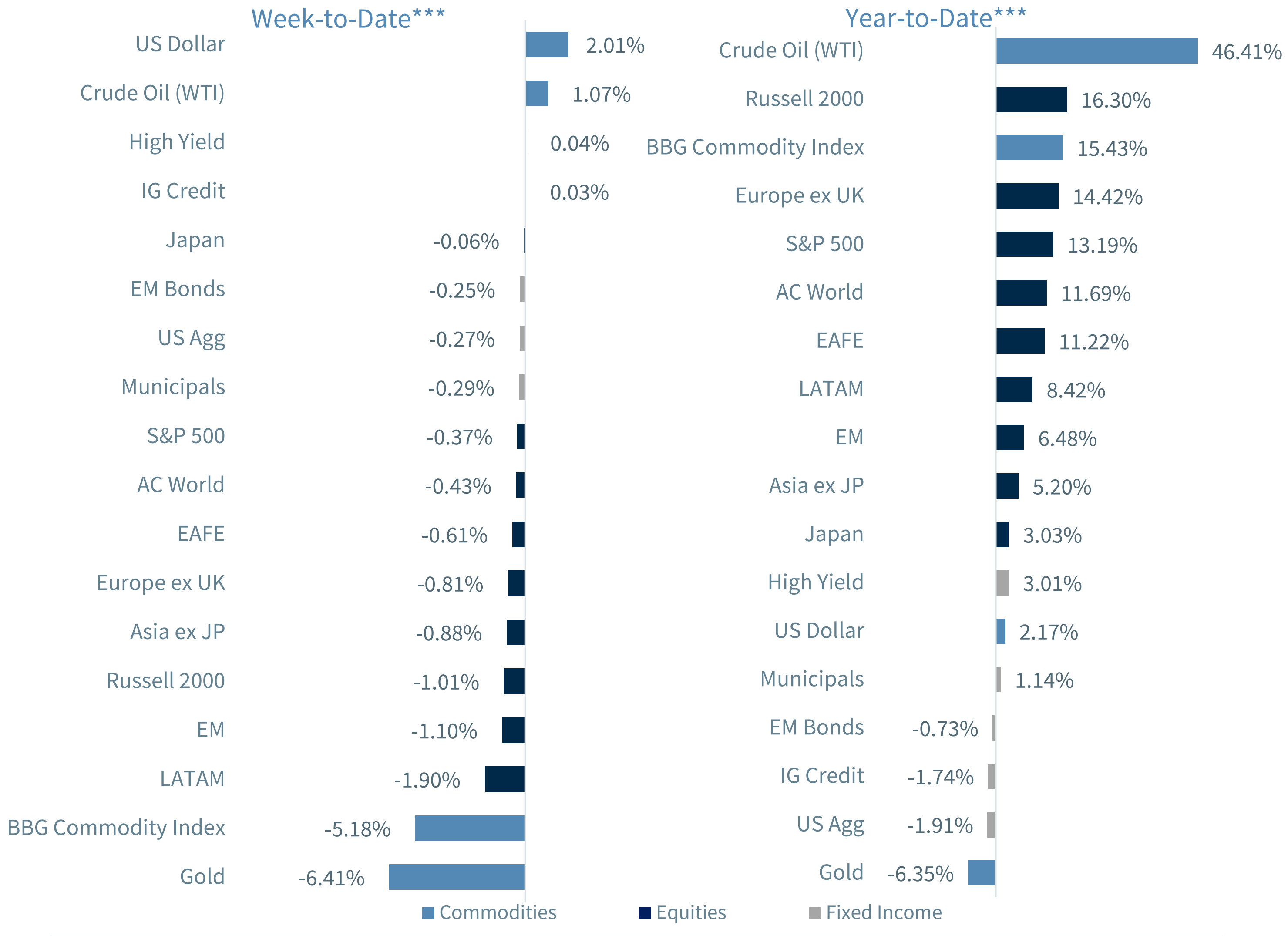
International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	15.0%	12.3%	5.9%
Mid Cap	12.4%	13.2%	12.4%
Small Cap	13.2%	16.0%	19.9%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	-1.9%	-4.8%
Invest. Grade	0.2%	-0.8%	-1.6%
High Yield	4.0%	3.0%	3.0%

Asset Class Performance | Weekly and Year-to-Date (as of June 17)**



**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 June 17

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	4221.9	(0.4)	0.5	13.2	37.8	17.1	17.5	15.1
DJ Industrial Average	33823.5	(1.9)	(2.0)	10.5	29.5	10.4	13.9	10.9
NASDAQ Composite Index	14161.4	1.0	3.0	9.9	42.9	22.2	24.2	18.4
Russell 1000	4569.4	(0.3)	0.6	12.8	42.7	18.4	17.5	14.4
Russell 2000	5684.9	(1.0)	0.9	16.3	64.6	13.1	16.0	11.9
Russell Midcap	7982.3	(1.2)	(0.5)	14.0	50.3	16.1	15.4	12.8

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	513.8	(4.4)	(6.0)	13.7	48.4	13.5	14.0	10.8
Industrials	850.8	(2.3)	(4.0)	14.3	45.9	12.5	14.1	13.1
Comm Services	261.1	0.1	1.4	18.2	43.2	23.0	11.7	11.5
Utilities	332.1	(0.2)	1.0	5.7	15.0	13.4	8.9	11.1
Consumer Discretionary	1394.2	0.9	1.1	7.4	34.1	17.2	19.1	18.3
Consumer Staples	718.1	(1.0)	(0.8)	4.4	21.6	13.9	8.6	11.5
Health Care	1454.9	(0.2)	1.3	10.7	27.2	15.7	14.4	15.8
Information Technology	2515.3	1.6	3.7	10.3	41.2	27.4	30.5	22.3
Energy	403.7	(2.7)	3.7	44.3	42.9	(5.6)	(0.5)	0.3
Financials	598.6	(3.2)	(4.9)	23.2	53.0	11.9	16.8	13.8
Real Estate	280.3	(1.5)	4.1	24.4	29.2	16.5	10.8	11.4

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	0.0	(0.0)	(0.0)	0.0	0.1	1.3	1.1	0.6
2-Year Treasury (%)	0.2	(0.1)	(0.1)	(0.1)	0.1	2.6	1.5	1.1
10-Year Treasury (%)	1.5	(0.6)	0.6	(4.8)	(5.8)	5.9	1.9	3.4
Barclays US Corporate High Yield	4.7	0.0	0.7	3.0	12.5	7.0	7.5	6.7
Bloomberg Barclays US Aggregate	1.5	(0.3)	0.4	(1.9)	(0.3)	5.4	3.1	3.3
Bloomberg Barclays Municipals		(0.3)	0.4	1.1	4.5	5.2	3.4	4.3
Bloomberg Barclays IG Credit	2.1	0.0	1.1	(1.7)	3.1	7.6	5.0	5.0
Bloomberg Barclays EM Bonds	3.8	(0.3)	0.6	(0.7)	6.5	6.7	5.2	5.5

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	71.0	0.1	7.1	46.9	87.4	3.0	8.2	(2.7)
Gold ($/Troy Oz)	1778.7	(5.8)	(6.4)	(5.8)	3.2	11.4	6.6	1.5
Dow Jones-UBS Commodity Index	90.1	(5.2)	(2.9)	15.4	40.6	0.9	0.3	(5.5)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	91.9	2.0	2.1	2.2	(5.4)	(1.0)	(0.5)	2.1
US Dollar per Euro	1.2	(1.9)	(2.3)	(2.4)	6.4	0.9	1.2	(1.8)
US Dollar per British Pounds	1.4	(1.4)	(1.9)	2.1	11.3	1.6	(0.5)	(1.5)
Japanese Yen per US Dollar	110.2	0.6	0.8	6.8	2.8	(0.1)	1.1	3.2

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	714.9	(0.4)	0.6	11.7	38.1	14.0	15.4	10.8
MSCI EAFE	2350.3	(0.6)	0.4	11.2	33.3	8.7	11.4	7.0
MSCI Europe ex UK	2605.2	(0.8)	0.7	14.4	38.5	11.7	13.3	7.6
MSCI Japan	3932.9	(0.1)	0.6	3.0	24.4	7.0	11.2	8.1
MSCI EM	1362.9	(1.1)	0.3	6.5	40.3	9.9	14.1	5.0
MSCI Asia ex JP	880.1	(0.9)	(0.3)	5.2	39.6	10.2	15.3	7.6
MSCI LATAM	2614.3	(1.9)	2.9	8.4	38.0	5.9	7.8	(1.7)
Canada S&P/TSX Composite	16345.4	0.5	2.1	15.5	30.6	7.3	7.7	4.6

**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 TREASURYS | 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 6/18/2021

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.

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.

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.

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.

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.

Ice BofA Merrill Lynch High Yield Index: The BofA Merrill Lynch US High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market.

TIPS | **Bloomberg Barclays US Treasury Inflation Protected Notes:** The index is is an unmanaged index designed to represent securities that protect against adverse inflation and provide a minimum level of real return.

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.

MORTGAGE BACKED SECURITIES | **Bloomberg Barclays US Aggregate Securitized-MBS:** The index tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

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).

GLOBAL HIGH YIELD | **Bloomberg Barclays Global High Yield:** The index is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices.

INTERNATIONAL SOVERIGN DEBT | **Bloomberg Barclays Global G6:** The index tracks the performance of sovereign debt from the G6 countries (G7 excluding the US).

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.

MSCI ACWI | The **MSCI All Country World Index** (ACWI) is a stock index designed to track broad global equity-market performance. The index is comprised of the stocks of about 3,000 companies from 23 developed countries and 26 emerging markets.

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