THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

It was just this time last year that shutdowns, cancellations and fears of traveling dominated the headlines and developing a widely available, effective vaccine in record time seemed a long shot at best. Fast forward twelve months, and the US economy is singing a vastly different tune, with optimistic headlines signaling a surprising return to normalcy pervading the airwaves. This robust rebound has rightfully come with some pricing pressures that have struck a chord with investors fearing that the Federal Reserve (Fed) will taper asset purchases ahead of schedule. We do not want to sound like a broken record, but with the inflation fear song on repeat, it is important to highlight some of the dynamics that over time will ease pricing pressures. In short, inflation pressures are likely to be transitory (as the Fed expects), peaking during the third quarter before subsiding by the end of the year.

Key Takeaways

Production Of Containers Should Resolve Shipping Costs

Commodity Prices Are Receding From Recent Peaks

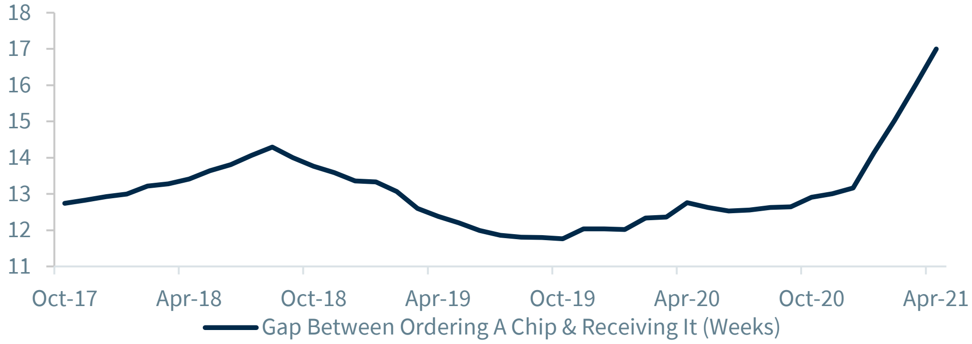
Understanding The Cyclical Element Of Inflation

- **Crank Up The Volume On Container Production |** The simultaneous emergence of consumers from spending hibernation (some with extra cash in their pockets thanks to Congress' stimulus efforts) and amplified demand for goods has led shipping costs to increase over the last year. In some cases, such as the route from China to Los Angeles, the price has nearly tripled ($4.4 Thousand/FEU versus $1.6 in January 2020).* The good news is that shipping companies are taking action. During the final quarter of 2020 and the first quarter of this year, they increased their orders for shipping containers (to fit more on existing ships)—the highest level since at least 1Q15—and placed a record amount of orders for new container ships to be built. While it will admittedly take some time for adjustments to impact operations, the combination of these efforts, in addition to ports becoming more staffed as vaccines are disseminated, should drive down transportation costs in the future.
- **Funding Efforts Should Strike The Right Note For Chip Supply |** The limited number of semiconductor chips available for a number of in-demand industries (e.g., consumer electronics, car manufacturing) has been a growing concern for months. However, a quick glance through the headlines demonstrates that companies and politicians will not stand idly by as the delay between ordering and receiving semiconductor chips is at a record high 17 weeks. Within the US, Commerce Secretary Gina Raimondo has proposed $52 billion in funding to boost semiconductor production and research, which could lead to as many as ten new facilities—a critical step for the US since our market share of semiconductor production has decreased to 12% from 37% in 1990. But the US is not alone in its proposed efforts, in fact, additional funding from South Korea, Taiwan, China, and the EU should combine for well over half a trillion dollars, all of which should alleviate future availability concerns.
- **News Of Falling Input Prices Is Music To The Ears Of Suppliers |** Industry specific catalysts led to surging prices for many major commodities such as lumber, steel, and aluminum, but the costs of these commodities are beginning to ease. While all three are still elevated from a historical perspective, they have receded 21%, 17%, and 6% from their respective recent peaks—a hopeful sign that some bottlenecks are easing. If the trend persists, it would take some input price pressures off businesses.
- **Pandemic Related Demand Coming Down An Octave |** The recent inflation statistics are reflective of the base effect, meaning that the prices of today are being compared to the depressed levels of last year. However, there is a cyclical element to inflation as the demand for certain items shifts over time. While Google Searches for home improvement and other 'lockdown activities' were at their highest levels a year ago, searches for vacations and flights are at their highest levels in over a year, indicating pent-up consumer travel demand. But this family demand is likely to recede as students go back to in-person school in September.
- **Bond Market Tuning Out All That Inflation Jazz |** As the economy improved and vaccine distribution accelerated, the bond market reacted quickly and strongly to fears that the magnitude of the rebound would lead to a surge in inflation. In fact, the 10-year Treasury yield rose more than 80 basis points from the start of the year to its 1.74% March peak. However since then, the yield has stayed relatively stable, remaining within a 14 basis point range since mid-April. In addition to commentary from Chairman Powell, who continues to stand by the Fed's expectation for a temporary spike, the bond market appears to be pricing in that elevated inflation pressures may not persist beyond the end of this year.
- **Bottom Line: Higher Prices Soothe Higher Prices |** With sellers naturally inclined to produce more goods at higher prices, businesses are likely to adjust their production to accommodate heightened levels of demand. Already, the semiconductor and shipping industries have begun to respond. These 'self-correcting' actions that guide supply to meet demand are supportive of the belief that the recent surge in inflation will be temporary and not limit the growth potential of the US economy.

CHART OF THE WEEK

Funding May Strike The Right Note For Chip Supply

More than half a trillion of funding from countries across the globe should benefit semiconductor production and research, which in turn should resolve the record setting 17 week gap between ordering a chip and receiving it.



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ECONOMY

- Nonfarm Payrolls rose less than expected in May (559k vs. 650k median forecast).* Leisure and hospitality rose by 292k (still down 15% from Feb 2020). The Unemployment Rate fell to 5.8% (vs. 6.1% in April) with a slight decrease in labor force participation.
- The ISM Manufacturing index rose to 61.2 in May (from 60.7 in April), reflecting faster growth in new orders. The ISM Services Index rose to a record 64.0 (from 62.7 in April), reflecting faster growth in business activity and new orders.* Both surveys reported slower job growth, a further lengthening in supplier delivery times, and rising input price pressures.
- The Fed Beige Book described economic growth as "moderate," although "somewhat faster" over the last month. There were hiring difficulties, especially for low-wage workers, truck drivers, and tradespeople, but wage increases were "moderate" overall.
- **Focus of the Week**: Next week, the Consumer Price Index is expected to increase moderately, with higher gasoline prices in line with the seasonal adjustment. The year-over-year increase (+4.2% in April) should move higher (May consensus estimate: +4.6%).

June 7- June 11

MON

TUE JOLTS Job Openings

WED

THU Consumer Price Index (CPI)

FRI UM Consumer Sentiment Survey

FUTURE EVENTS
6/15 Retail Sales
6/16 FOMC Meeting
6/17 Leading Economic Indicators

US EQUITY

- While the headline S&P 500 index has stalled out, the rotational market continues to play out beneath the surface, leaving plenty of opportunity for active investors. For example, WTI crude oil is breaking out to multi-year highs at >$68/bbl with OPEC maintaining its position on supply through July, along with increasing demand for a reopening world. This bodes well for the Energy sector, which was recently upgraded to an Overweight recommendation.* Technology was downgraded to Equal Weight, and we would use the recent bounce as an opportunity to lighten exposure if overweight. The rotation from 'stay-at-home' stocks toward 'recovery' stocks continues to weigh on Tech despite strong fundamentals. We still like the sector longer term, but market momentum is currently moving toward shorter-duration growth vs. long duration with the likelihood of higher interest rates and an economic reopening.
- **Focus of the Week:** The S&P 500 continues to base out at highs (having done so since 4/16) with the catalyst being inflation uncertainty. Higher inflation is being driven by a supply/demand imbalance resulting from the swift economic reopening, unprecedented levels of stimulus and supply chain shortages. While inflation concerns could lead to a moderation in the market's ascent, we view this as normal, particularly in year two of a bull market when the market's pace and volatility tend to normalize.

FIXED INCOME

- 10-year US Treasury yields have remained remarkably stable, sitting near the middle of the 1.48% to 1.74% range for the past three months.* The recent upward march in breakeven inflation rates has also stalled, with the 5-year breakeven rate falling from a high of 2.72% to 2.60%. While inflation expectations remain noticeably above the Fed's 2.0% target, the recent move suggests that the bond market may be finally coming around to the view that Fed officials won't let inflation get out of control in the coming years.
- **Focus of the Week:** After this week's job report, the bond market's focus will shift to the inflation report next week.

COVID-19, POLITICS & ENERGY

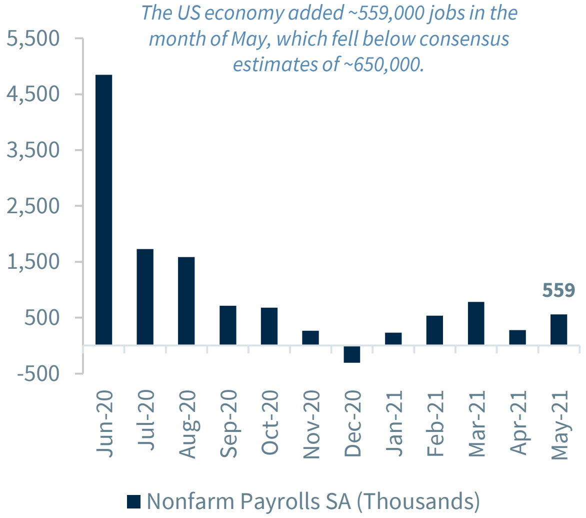
- **Domestic COVID-19:** The US has now identified more than 33,308,300 cases and more than 595,800 fatalities attributed to the coronavirus. However, statistics continue moving in a positive direction. This week, average daily identified cases declined 30.8% compared to last week, average daily identified fatalities declined 16.6% and average daily hospitalizations declined 14.5% from last week. This progress is largely a result of the United States' robust vaccination program—367.0 million doses have been distributed, while more than 296.9 million doses have been administered.* Further, 168.7 million Americans (50.8% of the nation's population) have received at least one dose of a coronavirus vaccine, while 136.2 million Americans (41.0% of the population) are fully vaccinated. On June 1, Moderna applied for full FDA approval of its COVID vaccine, less than a month after Pfizer did the same. Full approval may assuage some vaccine hesitancy in the still-unvaccinated population and provide businesses with more ammo to require vaccinations, both of which may maximize the pace of vaccinations and further defend against potentially dangerous mutations. As things stand currently, we remain optimistic about the nation's path to recovery.
- **Politics:** While talks continue on a potential bipartisan path forward for an infrastructure package, we are likely nearing the point where negotiations between Senate Republicans and the White House break down and more focus is diverted to securing support of all Democratic Senators on a unified infrastructure agenda. We expect there is still a difficult road ahead for any final infrastructure measures passing Congress, and negotiations among Democrats on the funding levels and scope of programs will likely dominate the summer months. We continue to see tax changes as a challenging area for Democrats to find agreement—given the narrow majorities and competing political interests within the party. We expect mixed headlines ahead on the prospects of several impactful tax provisions, including a retroactive capital gains tax. While we anticipate the final level of the highest capital gains rate will be lowered from the initially-proposed 39.6% rate to match the proposed highest ordinary income tax rate, a lower rate may increase chances that the tax is retroactive. Overall, pressure is building for a Democrat-led infrastructure push without Republican support, which will accelerate decisions on spending, taxes, and the effective date of certain provisions in the weeks ahead.
- **Energy:** When thinking about the OPEC+Russia coalition's decision this week to continue raising oil production into July, let's recall the history: this coalition is what saved the oil market in the spring of 2020. At a time when global oil demand bottomed approximately 20% below pre-COVID levels – by far the steepest demand fall-off in modern history – the production curtailments enforced particularly by Saudi Arabia and Russia were crucial for preventing a wholesale collapse of the oil industry. Well, now demand has recovered to a substantial degree: still below pre-COVID levels, but by only about 5%. As such, it is entirely reasonable for these production curtailments to be gradually unwound. These decisions will continue to be month-by-month as the group carefully monitors demand trends. While the pandemic's impact on demand is by no means over, its geographic footprint is evolving: little to no impact in North America and Europe at this point, whereas India and parts of South Asia are more problematic.

* See Charts of the week on page 3.

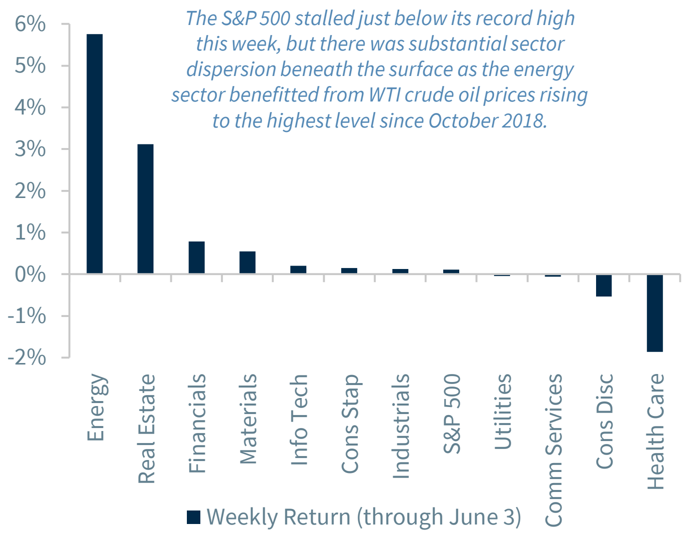
Charts of the Week

ISM Services Index Reaches New Record High

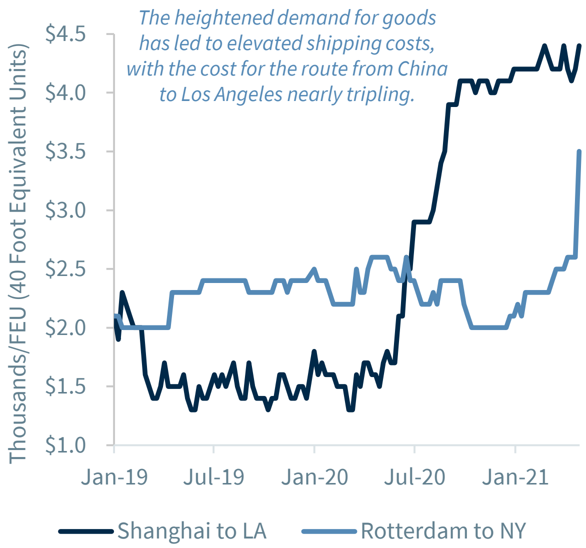
Job Gains Fall Below Expectations Again



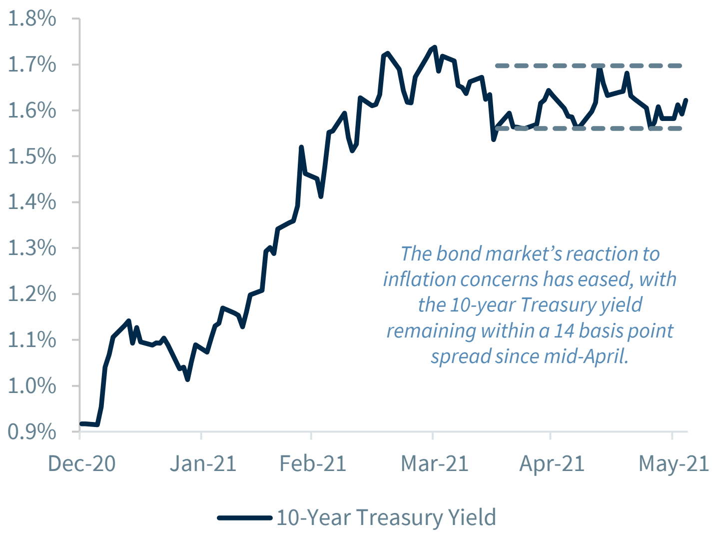
Energy Sector Boosted By Rising Crude Oil Prices



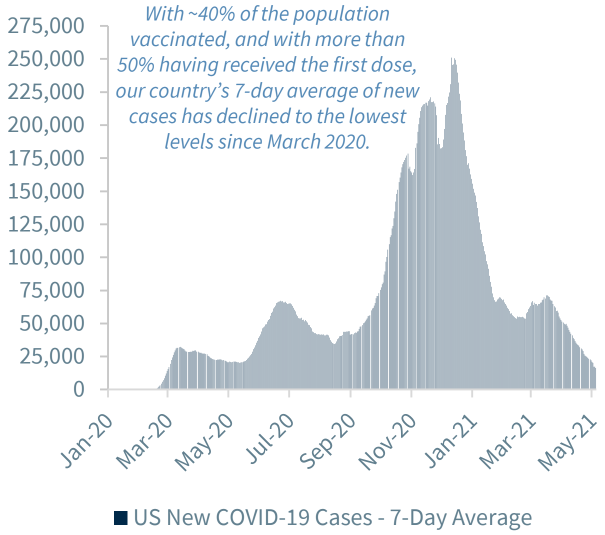
Transportation Costs A Sign Of Pricing Pressures



10-Year Treasury Yield Range-Bound



Vaccinations Keeping New Cases At Bay



Asset Class Performance | Distribution by Asset Class and Style (as of June 3)**

Weekly Returns (as of June 3)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	0.4%	-0.2%	-0.9%
Mid Cap	0.5%	-0.1%	-1.2%
Small Cap	1.6%	0.3%	-1.1%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	1.4%	0.5%	2.0%
Mid Cap	1.4%	0.7%	1.8%
Small Cap	1.4%	0.9%	2.1%

Fixed Income (Bloomberg Barclays indices)

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

Year-to-Date Returns (June 3)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	18.8%	11.8%	5.2%
Mid Cap	21.4%	14.4%	1.8%
Small Cap	29.8%	15.8%	3.0%

International Equities (MSCI indices)

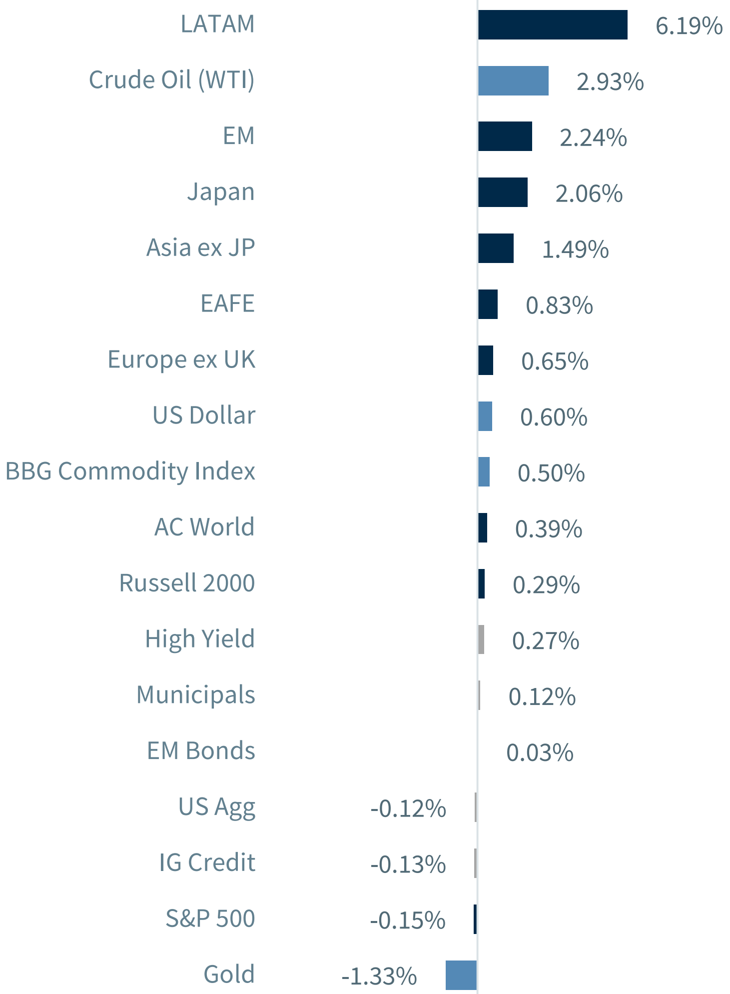
	Dev. Mkt	World	Emerg. Mkt
Large Cap	13.3%	11.1%	6.8%
Mid Cap	11.3%	13.0%	13.0%
Small Cap	13.1%	16.0%	18.8%

Fixed Income (Bloomberg Barclays indices)

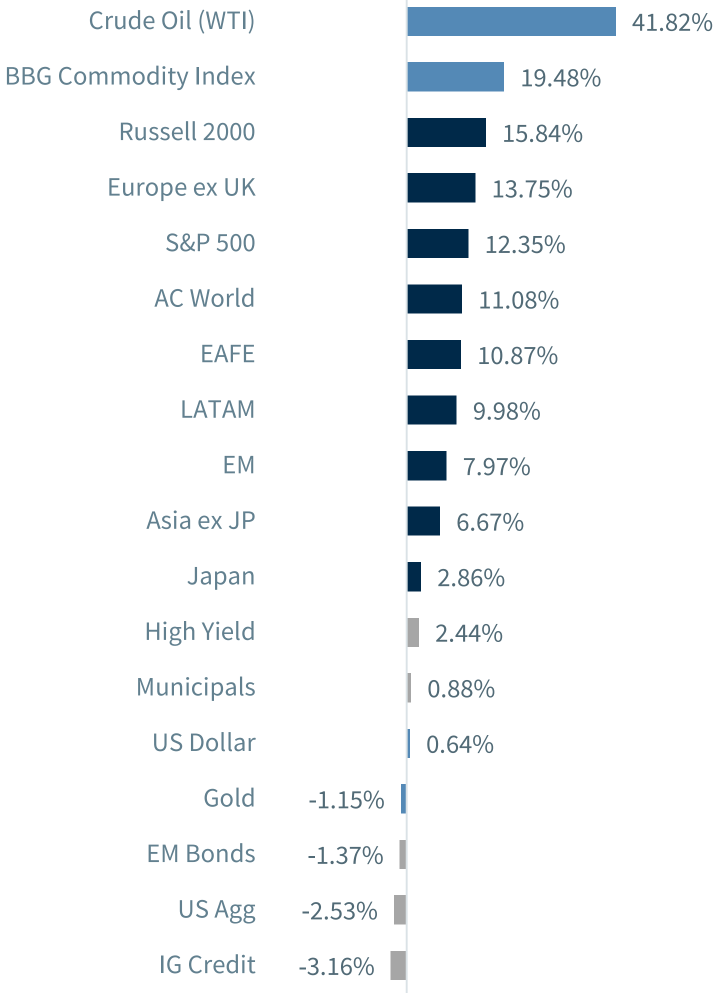
	1-3 YR	Medium	Long
Treasury	0.0%	-1.7%	-5.8%
Invest. Grade	0.3%	-1.1%	-2.4%
High Yield	3.7%	2.5%	1.5%

Asset Class Performance | Weekly and Year-to-Date (as of June 3)**

Week-to-Date***



Year-to-Date***



Commodities Equities Fixed Income

**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 June 3

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	4192.9	(0.1)	(0.2)	12.4	36.4	17.4	17.1	14.7
DJ Industrial Average	34577.0	0.3	0.1	13.0	31.6	11.9	14.2	11.0
NASDAQ Composite Index	13614.5	(0.9)	(1.0)	5.6	40.6	21.6	22.5	17.4
Russell 1000	4528.8	(0.2)	(0.3)	11.8	42.7	18.4	17.5	14.4
Russell 2000	5664.5	0.3	0.5	15.8	64.6	13.1	16.0	11.9
Russell Midcap	8011.2	(0.1)	(0.2)	14.4	50.3	16.1	15.4	12.8

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	549.6	0.4	0.5	21.5	53.7	16.7	15.4	11.2
Industrials	885.4	(0.2)	(0.1)	18.9	49.6	14.1	15.1	13.4
Comm Services	255.3	(1.1)	(0.8)	15.6	40.5	22.6	12.1	11.2
Utilities	330.9	1.0	0.5	5.2	10.0	13.1	9.2	11.1
Consumer Discretionary	1355.3	(1.9)	(1.7)	4.4	32.0	18.3	18.1	17.7
Consumer Staples	730.2	0.8	0.7	6.0	22.8	16.2	9.0	11.7
Health Care	1416.3	(1.2)	(1.5)	7.7	21.0	15.7	13.1	15.4
Information Technology	2409.5	(0.4)	(0.7)	5.6	39.1	26.1	28.8	21.2
Energy	413.5	6.2	6.1	47.7	39.0	(5.6)	0.2	0.2
Financials	636.6	1.1	1.1	30.9	58.6	14.3	17.5	14.3
Real Estate	277.8	3.6	2.9	23.0	26.8	16.1	10.7	11.1

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	(0.0)	(0.0)	0.0	0.2	2.6	1.5	1.1
10-Year Treasury (%)	1.6	(0.2)	(0.4)	(5.8)	(6.5)	5.5	1.8	3.4
Barclays US Corporate High Yield	4.8	0.3	0.2	2.4	13.0	7.1	7.4	6.5
Bloomberg Barclays US Aggregate	1.6	(0.1)	(0.2)	(2.5)	(0.4)	5.1	3.1	3.2
Bloomberg Barclays Municipals		0.1	0.1	0.9	4.7	5.1	3.5	4.3
Bloomberg Barclays IG Credit	2.2	(0.1)	(0.3)	(3.2)	3.1	7.0	4.8	4.9
Bloomberg Barclays EM Bonds	3.9	0.0	(0.1)	(1.4)	6.9	6.3	5.2	5.4

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	68.9	4.0	4.0	42.6	84.7	1.6	7.2	(3.7)
Gold ($/Troy Oz)	1866.6	(1.3)	(1.8)	(1.1)	9.5	13.0	8.5	1.9
Dow Jones-UBS Commodity Index	93.3	0.5	0.5	19.5	45.9	1.0	1.4	(5.6)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	90.5	0.6	0.5	0.6	(7.0)	(1.2)	(0.7)	2.1
US Dollar per Euro	1.2	(0.5)	(0.7)	(0.8)	8.2	1.3	1.4	(1.8)
US Dollar per British Pounds	1.4	(0.6)	(0.7)	3.2	12.0	1.9	(0.6)	(1.5)
Japanese Yen per US Dollar	110.2	0.4	0.7	6.7	1.2	0.2	0.6	3.2

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	711.4	0.4	0.1	11.1	37.3	14.1	14.7	10.4
MSCI EAFE	2343.6	0.8	0.1	10.9	32.8	8.8	10.3	6.6
MSCI Europe ex UK	2591.2	0.6	0.1	13.8	37.6	11.7	12.0	7.1
MSCI Japan	3926.7	2.1	0.4	2.9	25.2	7.5	10.2	8.0
MSCI EM	1383.6	2.2	1.7	8.0	43.4	9.9	14.2	4.6
MSCI Asia ex JP	893.5	1.5	1.1	6.7	43.6	10.6	15.4	7.2
MSCI LATAM	2652.1	6.2	4.4	10.0	37.0	4.5	8.1	(2.0)
Canada S&P/TSX Composite	16467.6	0.8	1.1	14.4	28.0	7.5	7.0	4.0

**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.

GERMAN BUND| A bund, German for "bond," is a debt instrument issued by Germany's federal government that is similar to the US Treasury bond.

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DATA SOURCE

FactSet, as of 6/4/2021

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).

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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