THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Key Takeaways

- Companies Have Found New Ways To Operate Post-COVID
- Inflation Surge As A Learning Opportunity For Firms
- Record Net Margins Despite Rising Wages

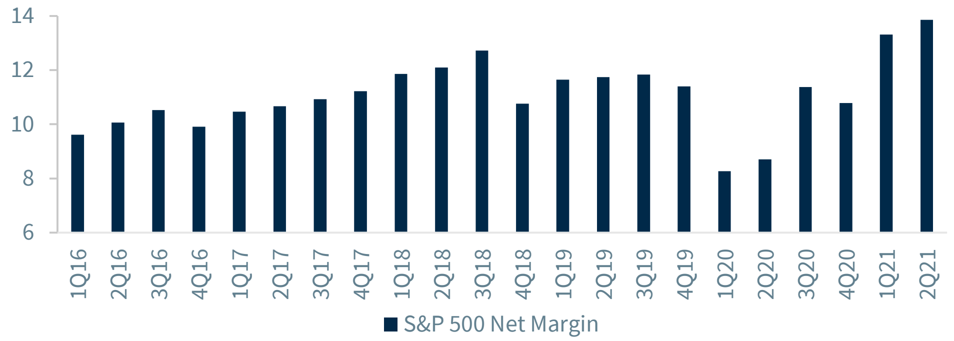
Earlier this week we celebrated National Book Lovers Day, the perfect day to cozy up with your favorite book and read the day away! Whether you prefer fiction or non-fiction, paperback or electronic, a new release or one of the classics, reading is so important. And with more than 96% of the S&P 500's market capitalization having reported results for the 2Q21 earnings season, we've been doing our fair share of reading as we comb through earnings call transcripts. While the 'headlines' from earnings are attention grabbing—healthy earnings growth, record sales beats, record margins and optimistic future guidance—analyzing the fine print from these conference calls—especially as it relates to forward guidance—provides even more color in understanding the state of the earnings environment as the next 'chapter' of this economic recovery unfolds.

- **An Earnings Season For The Record Books |** The 2Q21 earnings season will unofficially end next week once retail giants Walmart and Target report, but our expectations for above-average results will be no 'cliffhanger' with spectacular earnings growth of ~+90% on top of 1Q21's ~+50%. The magnitude of earnings beats remained far above the historical average at ~17%. As a result, the consensus 2021 S&P 500 earnings estimates have risen 20% since the start of the year, including 4% alone since the 2Q21 earnings season began, and are now just ~$1 shy of our expected $200 estimate! The below 'cliff notes' version of CEO commentary provides further real-time support of our macroeconomic views.*
  - **Will We Turn The Page On COVID-19? |** While nearly a third of S&P 500 companies specifically referenced the Delta variant during their conference calls, most were sanguine about the recent surge of COVID cases, with Verizon stating that "people will continue to remember the value of connectivity." However, given they reported most recently, travel-related companies displayed the most concerns. Booking commented that the Delta variant lends to some "volatility and uncertainty around the exact timing and shape of the recovery for travel," but that their confidence in an eventual "strong recovery in travel demand globally" has not wavered. This was echoed by Expedia, who said they are still experiencing "relatively stronger performance compared to earlier parts of COVID." In fact, some hotel companies such as Hilton observed that all of their "bookings for 2022 are at rates that are greater than 2019" and that momentum should carry into 2022 "simply because people have to meet."
    Bottom Line: While COVID remains the biggest downside risk to the economy and earnings (especially in the services industries), full scale lockdowns are unlikely. Most companies continue to look through the recent surge highlighting that they have been resilient, finding ways to operate successfully in this new environment.
  - **When Will The Inflation Chapter Come To A Close? |** The presence and severity of supply chain disruptions varied across companies, but in the aggregate, the mindset was that inflationary pressures would be temporary. For example, Tractor Supply Co stated it is "starting to see (supply chain disruptions) moderate a bit" with ongoing improvements expected in the next 6-12 months. Some companies are viewing the situation even more positively, such as Microsoft sharing that the pandemic allowed them to revamp their sales, customer service, marketing, supply chains, and digital manufacturing with a "AI-first and collaboration-first" approach, and Ford, viewing the semiconductor shortage as a "huge opportunity to learn how to manage the supply chain differently" and better position themselves against a black swan event in the future.
    Bottom Line: Inflation has helped corporate earnings as modest price increases have been absorbed by consumers. However, as supply chain disruptions improve and inventories increase, inflationary pressures should subside by year end.
  - **Are Companies Using Every Trick In The Book To Attract Workers? |** With the US labor market having a record 10 million job openings, some companies, such as Caterpillar, vowed that this labor shortage is "transitory in terms of the friction of getting people into the right jobs," but others are taking action to attract and retain workers. Retailers and restaurants such as Ross Stores, TJ Maxx, Target, Walmart, Starbucks, Chipotle, and Kroger have all announced wage increases, bringing the average hourly wage for grocery and food and beverage workers to ~$15 per hour for the first time. Despite rising wage costs, corporate margins are at record highs— which companies like Starbucks attribute to heightened productivity and "continued investment in digital initiatives and operational efficiencies" that "further solidify the foundation" for future growth.
    Bottom Line: Improvements in the labor market, in terms of the number of jobs added and wage growth, should bolster the spending power of the consumer and allow the Fed to begin tapering by year end.

CHART OF THE WEEK

Record Margins On The Books!

Despite rising input costs, supply chain disruptions, and wage growth, S&P 500 net margins still rose to a record high during the 2Q21 earnings season.



*See Charts of the week on page 3.

RAYMOND JAMES

ECONOMY

- UM Consumer Sentiment fell sharply in the mid-August reading, reflecting concerns about the delta surge.
- Retail sales are expected to be about flat in July, reflecting lower unit auto sales, but healthy back-to-school shopping (pre-delta).
- The Consumer Prices Index rose 0.5% in July (+5.4% y/y), up 0.3% (+4.3% y/y) ex-food & energy. The report reflected a moderation in many of the components that had experienced rapid price increases in the spring and early summer.* The Producer Price Index rose 1.0% in July (+7.8% y/y), boosted partly by higher margins for auto retailers. Pipeline inflation pressures in supplies and materials remained elevated.
- The June JOLTS report showed another record in job vacancies, while the quit rate rose (a sign of a strengthening job market).*
- **Focus of the Week:** Next week, retail sales are expected to have softened in July (still very strong on a year-over-year basis). Investors will look to the FOMC minutes for clues on when the Fed will begin to taper the monthly pace of asset purchases (officials are likely to have been divided).

August 16 - August 20

MON

TUE Retail Sales

WED FOMC Minutes

THU

FRI Leading Economic Indicators

FUTURE EVENTS
8/25 Durable Goods Orders
8/26-8/28 Jackson Hole Economic Symposium
8/27 Personal Consumption Expenditures (PCE)

US EQUITY

- The S&P 500 achieved its 47th new record high closing price of 2021 today as the grind higher in equities continues. Despite COVID remaining the big risk to the market in the near term, better than expected macro and more stimulus in the form of an infrastructure bill have spurred a rally in the 10-year yield and sector rotation beneath the surface with reopening areas such as Financials and Industrials benefiting while Technology has given back some relative performance. Overall, this pro-cyclical/reopening move higher has been positive for the value index, which saw a price break-out. However, the narrow market breadth leaves the market vulnerable to pullbacks/sector rotations mixed with a seasonally soft period of the year. During periods of consolidation (at either the market level or sector level), we would be opportunistic in accumulating.
- **Focus of the Week:** 2Q21 earnings season is largely complete at this point, and it is another stellar quarter with the 5th consecutive quarter of strong earnings upside. The average EPS surprise is 16.8% with 86% of S&P 500 companies seeing EPS beats pushing the consensus growth for 2Q to 89.8% YoY. Looking forward, revision trends for 3Q and 4Q remain favorable; however, consensus expectations are still pointing to earnings in 3Q to be below 2Q levels and relatively in line with 1Q actual results. Historically, the median growth from 2Q to 3Q (since 2002) has been about +1.2%. It remains our belief that earnings can continue to surprise to the upside with our base case assumption of $200 for 2021 (and our upside case of $210) versus current consensus of $198.67.*

FIXED INCOME

- The Treasury market has been driven by a barrage of Fed officials talking up tapering, with most suggesting that a formal announcement could come as early as September.* The Fed is clearly setting the stage for tapering to begin later this year or in early 2022, which we have been expecting for some time. It's not a question of if, but when they start the ball rolling. Some of the more hawkish members of the FOMC have also started to call for a more aggressive unwind of its $120 billion in asset purchases, suggesting that the tapering could end within 6 to 8 months as opposed to the 10-month timeline they followed in 2013. These comments, which are designed to test the market's reaction ahead of Chairman Powell's long-awaited speech in Jackson Hole later this month, drove 10-year Treasury yields back up to 1.37% this week, ~20 basis points higher than their early August levels.
- **Focus of the Week:** The FOMC minutes (Wed) have the potential to impact the market, especially if anything is spoken outside of the current Fed stance. What could be even more impactful is COVID and the potential increase of cases as school starts. If we see any school breakouts or a rise in cases tied to kids returning to school, the market could react with volatility.

POLITICS, COVID & ENERGY

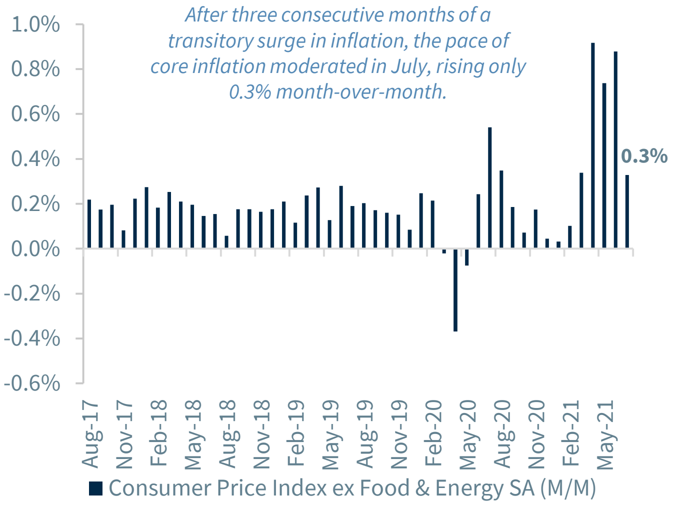
- **COVID:** Cases, hospitalizations, and deaths continue to rise as the Delta variant accounts for almost all new cases; however, weekly percent increases in cases and hospitalizations may be getting smaller.* Our healthcare policy analyst Chris Meekins** believes cases in the US are peaking. In the next 7-10 days, we expect a downward trajectory of the 7 DMA of COVID cases to begin. Hospitalizations and deaths will continue to rise over the next few weeks as those are trailing indicators. Additionally, we expect the FDA to issue full approval of the Pfizer vaccine in the next 30 days, more employer vaccine mandates, and for more schools to set up testing systems.
- **Politics:** The Senate passed the bipartisan infrastructure bill on Tuesday, sending the bill to the House. We expect the bill to be held in the House for the time being, but it could be separated from the reconciliation package in late September. On Wednesday the Senate approved the $3.5T FY22 budget resolution, starting the process on the development of a reconciliation bill to address Democratic priorities on climate, housing, technology, education, healthcare, and taxes. Initial budget instructions call for the development of about $1.75T in deficit spending (a ceiling) with approximately another $1.8T in fully-offset spending (totaling in the $3.5T range), although no new details on tax changes were included. Going forward, we expect an expansive initial policy agenda on spending and revenue, which Monday's resolution leaves room to be scaled down toward our expected range of $2-2.5T.
- **Energy:** Governments of oil-consuming countries, including the US, have tried to pressure OPEC to pump more oil, going as far back as the 1970s. Historically, OPEC almost never responds to such pressure, but the governments try anyway. The latest example came this past week, as the White House publicly suggested that OPEC ought to increase supply in response to oil prices near three-year highs. Will it work? No. OPEC plus Russia already spelled-out a roadmap to gradually bring supply back to pre-COVID levels and it is hard to imagine them changing that roadmap in response to outside pressure. It is worth underscoring that Republican and Democratic administrations have followed the same basic playbook for the past five decades. We see this now under President Biden, who, despite his climate-friendly rhetoric, is pushing for cheaper gasoline just as President Trump did a few years earlier.

*See Charts of the week on page 3.
** Raymond James Equity Research

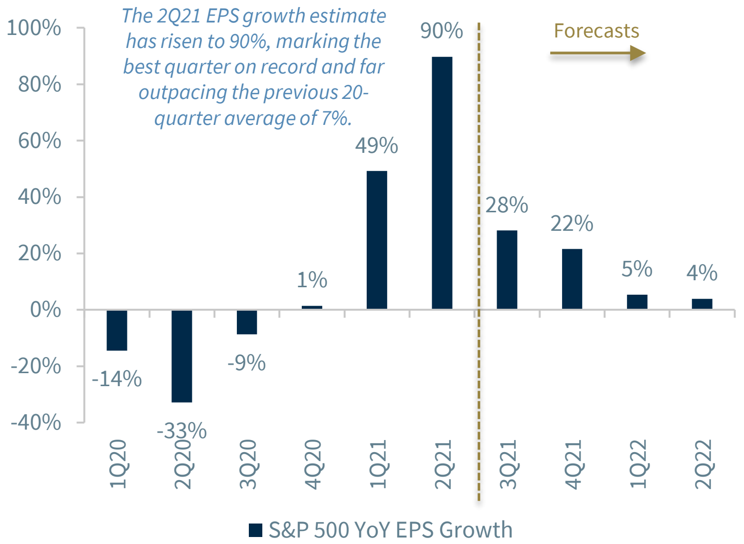
Charts of the Week

Record Number of Job Openings

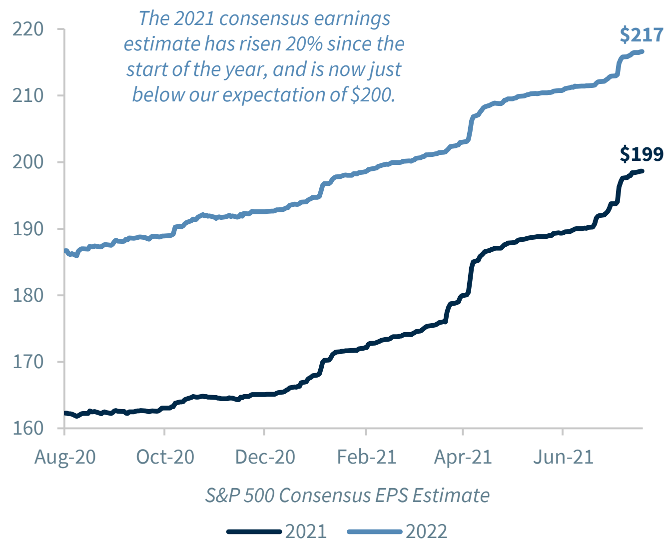
Inflation Surge Starting to Simmer



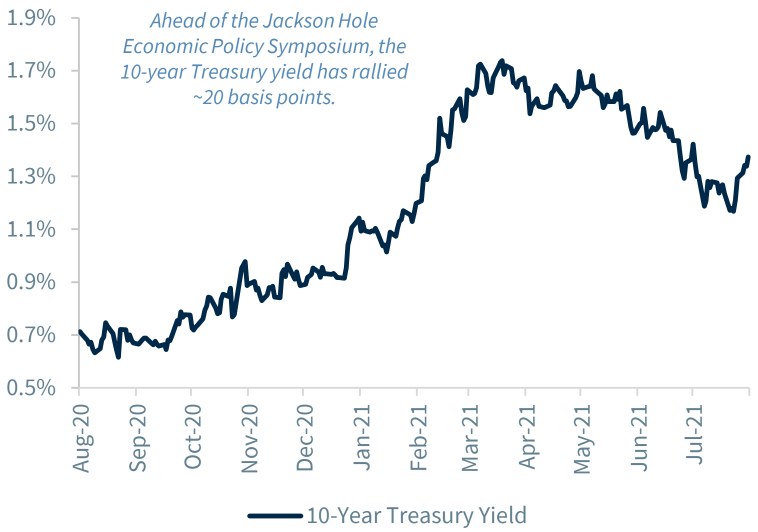
Back-to-Back Strong Quarters of Earnings Growth



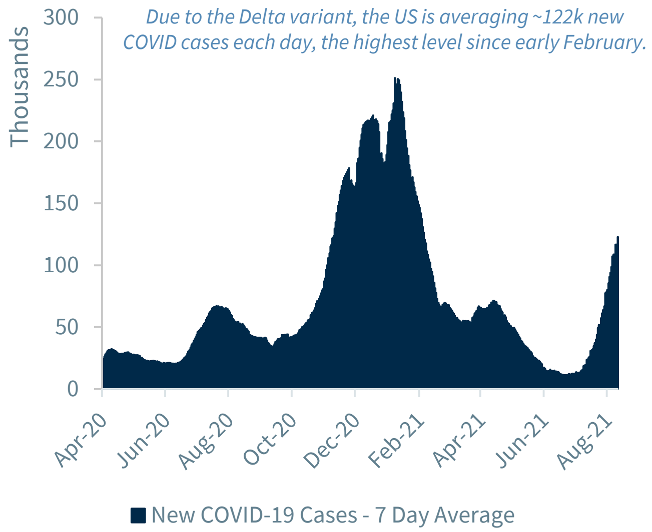
2021 Consensus Estimate Nearing Our Expectation



10-Year Treasury Yields Climbs Higher On Fed Commentary



New Daily COVID Cases The Highest Since February



* Index definitions can be found on the disclosure pages

Asset Class Performance | Distribution by Asset Class and Style (as of August 12)**

Weekly Returns (as of August 12)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	1.8%	0.6%	-0.5%
Mid Cap	1.6%	0.7%	-0.8%
Small Cap	1.7%	0.4%	-0.8%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	1.3%	0.7%	0.0%
Mid Cap	0.7%	0.7%	-0.6%
Small Cap	0.8%	0.5%	-0.9%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	-0.5%	-1.1%
Invest. Grade	-0.1%	-0.5%	-0.7%
High Yield	0.0%	-0.2%	-0.6%

Year-to-Date Returns (August 12)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	20.4%	19.0%	17.7%
Mid Cap	22.5%	18.8%	12.3%
Small Cap	24.1%	14.2%	5.1%

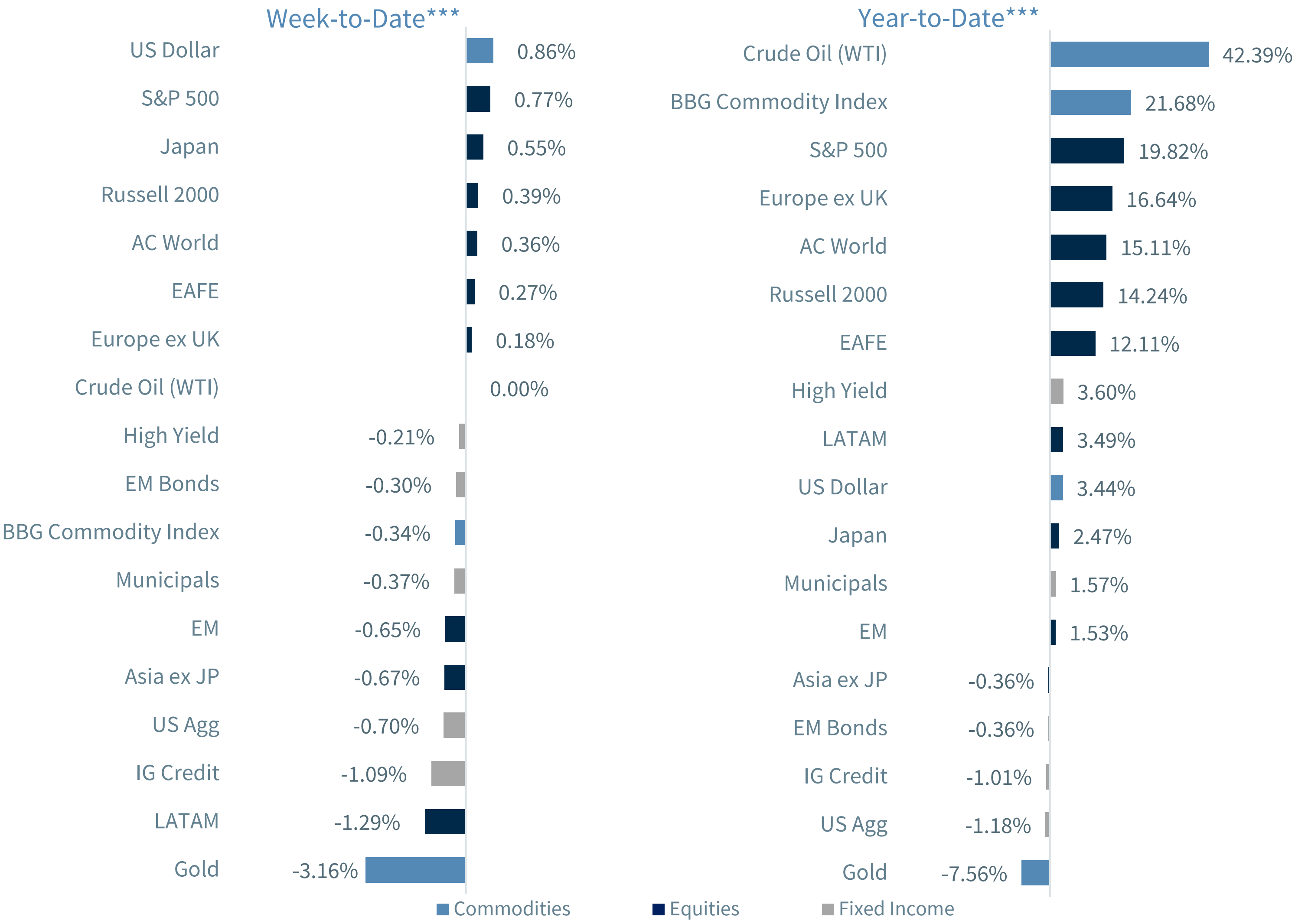
International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	17.2%	16.4%	1.6%
Mid Cap	15.1%	17.0%	11.3%
Small Cap	17.0%	17.6%	20.6%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	-1.4%	-3.0%
Invest. Grade	0.3%	-0.3%	-0.8%
High Yield	4.6%	3.4%	6.4%

Asset Class Performance | Weekly and Year-to-Date (as of August 12)**



**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 August 12

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	4460.8	0.8	1.6	19.8	34.0	18.4	17.6	16.6
DJ Industrial Average	35499.9	1.2	1.6	16.0	26.9	11.9	13.8	12.2
NASDAQ Composite Index	14816.3	(0.5)	1.0	15.0	34.5	23.6	23.1	19.4
Russell 1000	4812.3	0.6	1.4	19.0	38.0	18.6	17.6	15.4
Russell 2000	5577.1	0.4	0.8	14.2	52.0	11.5	14.3	12.3
Russell Midcap	8305.4	0.7	1.4	18.8	42.6	15.8	14.8	13.7

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	541.9	4.1	2.8	20.1	40.3	16.2	14.7	12.1
Industrials	889.8	2.2	1.9	19.7	37.8	14.2	14.1	15.1
Comm Services	276.7	0.5	1.2	25.5	42.2	23.5	12.1	13.0
Utilities	345.8	1.0	3.5	10.5	15.6	12.5	9.7	12.0
Consumer Discretionary	1448.9	(0.4)	0.7	11.6	22.8	18.6	18.8	19.3
Consumer Staples	743.9	1.3	0.8	8.5	16.1	14.0	8.8	12.5
Health Care	1547.8	(0.2)	0.6	18.1	26.1	16.3	14.3	17.6
Information Technology	2705.9	(0.5)	0.5	18.8	36.4	29.9	29.9	23.2
Energy	376.0	1.8	1.3	35.3	36.4	(8.1)	(2.2)	0.4
Financials	645.0	4.7	6.4	33.1	57.2	14.1	17.4	16.5
Real Estate	290.1	(0.8)	0.1	29.1	32.9	16.2	10.4	12.7

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	1.2	1.1	0.6
2-Year Treasury (%)	0.2	(0.0)	(0.1)	(0.0)	0.1	2.5	1.5	1.0
10-Year Treasury (%)	1.3	(1.1)	(1.0)	(3.0)	(4.8)	6.2	2.0	2.9
Barclays US Corporate High Yield	4.7	(0.2)	(0.4)	3.6	9.6	6.9	6.6	7.1
Bloomberg Barclays US Aggregate	1.5	(0.7)	(0.7)	(1.2)	(0.9)	5.3	3.0	3.1
Bloomberg Barclays Municipals		(0.4)	(0.3)	1.6	2.6	5.2	3.3	4.1
Bloomberg Barclays IG Credit	2.1	(1.1)	(1.1)	(1.0)	0.8	7.5	4.7	4.9
Bloomberg Barclays EM Bonds	4.0	(0.3)	0.1	(0.4)	2.4	6.6	4.4	5.4

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	68.9	(0.5)	(6.8)	42.5	61.8	0.6	9.2	(2.1)
Gold ($/Troy Oz)	1747.4	(3.0)	(4.3)	(7.4)	(9.6)	12.9	5.3	0.1
Dow Jones-UBS Commodity Index	95.0	(0.3)	(1.3)	21.7	35.2	4.1	2.5	(4.9)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	93.0	0.9	0.9	3.4	(0.4)	(1.2)	(0.6)	2.2
US Dollar per Euro	1.2	(0.9)	(1.1)	(4.1)	(0.6)	0.9	1.0	(1.9)
US Dollar per British Pounds	1.4	(0.7)	(0.5)	1.2	6.0	2.7	1.4	(1.6)
Japanese Yen per US Dollar	110.4	0.6	0.6	6.9	3.2	(0.1)	1.8	3.7

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	734.8	0.4	1.5	15.1	31.2	15.1	14.4	12.1
MSCI EAFE	2362.8	0.3	1.9	12.1	26.9	9.8	10.0	8.0
MSCI Europe ex UK	2651.4	0.2	1.8	16.6	29.9	13.1	12.3	9.4
MSCI Japan	3906.6	0.5	2.3	2.5	21.5	8.1	9.0	8.2
MSCI EM	1290.9	(0.6)	1.1	1.5	20.6	9.5	10.1	5.5
MSCI Asia ex JP	828.7	(0.7)	1.1	(0.4)	18.2	10.0	11.4	7.9
MSCI LATAM	2480.2	(1.3)	(1.1)	3.5	28.4	2.2	3.1	(1.1)
Canada S&P/TSX Composite	16389.6	0.7	1.1	17.7	23.8	7.9	6.8	5.0

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

DISCLOSURES

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The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Diversification and asset allocation do not ensure a profit or protect against a loss.

INTERNATIONAL INVESTING | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

SECTORS | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

OIL | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

CURRENCIES | Currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

GOLD | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

FIXED INCOME | Fixed-income securities (or “bonds”) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. 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 8/13/2021

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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