THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Planes, Trains, and Automobiles! That's what this summer's travel season has felt like for millions of Americans as their vacation plans have been interrupted by thousands of flight delays and cancellations. These widespread disruptions have been caused by unpredictable weather, staffing shortages, air traffic restrictions, and mechanical issues. And with passenger volumes up 15% over the last year and 29% of flights experiencing delayed arrivals and 6% being cancelled this summer (both up sharply over 2022 levels), this busy season has been a 'flightmare' for travelers. And flights are not the only thing being delayed and cancelled this summer. With the US economy proving more resilient than expected and seemingly cruising on a flight path toward a soft landing, many prominent Wall Street strategists (including Fed staffers) are delaying or canceling their recession calls. While sentiment has made an abrupt shift, there are still plenty of risks on the horizon. Here are four reasons why we still expect a mild recession:

Key Takeaways

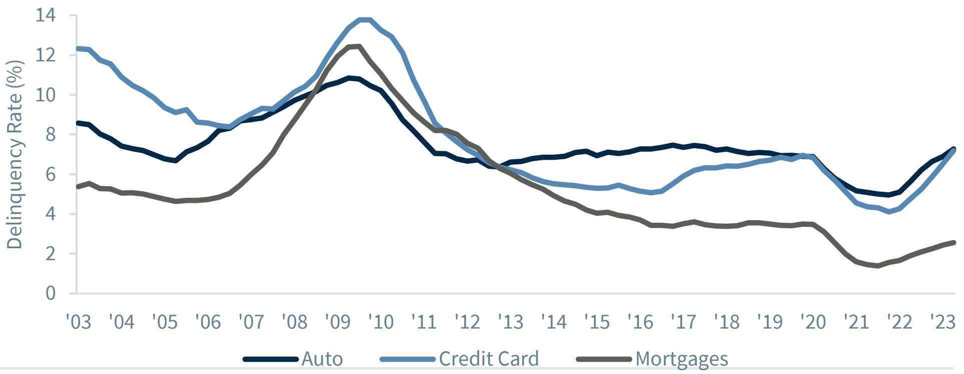
- Tailwinds To Consumer Strength Are Fading
- Labor Market Cracks Are Becoming Evident
- Higher Borrowing Costs A Headwind For Capex Plans

- **Consumer Strength Likely To Hit Some 'Crosswinds' |** Consumer spending remains the lifeblood of the economy accounting for nearly two-thirds of economic activity. Over the last year, consumption has been supported by a historically tight labor market, the strongest wage gains in nearly forty years, and excess savings from the pandemic. However, with these tailwinds fading, the consumer's runway may soon come to an end. With the excess savings buffer nearly depleted and likely to be exhausted by year end, student loan payments resuming on October 1 after a three-year pause, and gas prices ticking higher, consumer spending is vulnerable to a pullback. And while consumers' balance sheets have been reasonably healthy, signs of stress are building. For example, the Fed's Quarterly Report on Household Debt and Credit reported an uptick in the percent of delinquencies on credit cards, auto loans and mortgages, albeit up from low levels. And with credit card balances increasing and borrowing rates at historically high levels, consumer spending is likely to slow in the months ahead posing downside risks to economic growth.
- **Employment Trends Are Slowly 'Descending' |** While the unemployment rate continues to hover near a 53-year low of 3.5%, there are signs that the labor market is cooling. Not only did the pace of job growth (+187k) ease to its lowest level since December 2020, the six prior payroll reports were downwardly revised—the longest negative streak since 2009. And with the preliminary estimate of the annual benchmark revisions on August 23 likely to show further downward revisions, there is a strong likelihood that the Bureau of Labor Statistics has overstated the strength of the labor market. As we wait for this confirmation, other indicators, such as the declining number of job openings, easing quits rates, falling temp jobs (a historically strong signal that the labor market is weakening) and a pullback in the average workweek suggest cracks are forming in the labor market. While we're not expecting a sharp rise in the unemployment rate during this business cycle, we do expect this softening trend to continue into year end.
- **'Thrust' From Services And Good Spending Moderating |** The composition of consumer spending has gone through some unusual shifts since the pandemic—with the over 20% surge in goods spending offsetting weakness in services spending during the height of the pandemic and then sharply reversing as the economy reopened and consumers en masse shifted back to spending on services, particularly on travel and experiences. However, after two consecutive summers of 'revenge' travel, spending on services is showing signs of fatigue. For example, airline fares have moderated on a MoM basis for three consecutive months, restaurant activity is lower relative to last year, and attendance at theme parks has softened.* And the short-term economic boost from Taylor Swift's "Eras Tour" (as flagged in the Fed's Beige Book report) is ending as it moves overseas. Goods spending is unlikely to pick up the slack in service spending this time—suggesting that goods and service spending will be on a flat to downward trajectory.
- **'Clouds' Forming After Recent Capex Surge |** Corporate non-residential capital expenditures have been a significant tailwind for economic growth, rising an annualized rate of 7.7% in 2Q23 and contributing nearly 1.0% to GDP growth. However, with recession risks elevated and small business loan rates at their highest level 2007, the outlook for future capital expenditures is clouded. Why? First, the percentage of small businesses that view now as a bad time to expand due to higher interest rates is near the highest level on record. Second, the composite of capex plans in the regional Fed Manufacturing surveys remains near the lowest level since 2009 (excluding COVID periods). Historically, these low levels have led to sharp declines in non-residential fixed investment. Third, only 22% of CEOs plan to increase their capex budgets over the next 12 months—the lowest level since 2020. This sour sentiment suggests capex is likely to be challenged going forward. And this has already started to translate into weaker demand for loans, as the net percentage of banks reporting stronger demand for loans has fallen to its lowest level since 2009.

CHART OF THE WEEK

Consumers Are Starting To Feel Some Financial Stress!

The Fed's quarterly report on household debt and credit highlighted that delinquency rates across consumer credit card, auto loans and mortgages are starting to climb!



Source: FactSet

*See Charts of the week on page 3.

ECONOMY

- The July Consumer Price Index (CPI) report reflected a lower-than-expected YOY rate of inflation of 3.2%.* Shelter price inflation remained stubbornly high and, according to the report, was by far the largest contributor—accounting for over 90% of the increase.
- For the first time in 13 months, the pace of the Producer Price Index (PPI) YoY growth accelerated and printed +0.8% (+0.3% MoM). While the goods sector had its third consecutive deflationary print, the services sector continues to drive the total Index upward.
- While the University of Michigan Consumer Sentiment Index remained almost level (72.2) vs. last month, the Current Conditions Index increased to its highest since September '21. More importantly, both short- and long-term inflation expectations remained anchored.
- **Focus of the Week:** The upcoming week presents a few indicators for the housing market, such as the NAHB Housing Market Index (Tuesday), Housing Starts (Wednesday), and Building Permits (Wednesday). We expect continued stabilization of the sector which faced significant challenges due to the Fed's aggressive tightening as well as a shortage in existing homes for sale. In addition, Tuesday's retail sales report should continue to point to a strong consumer and show growth month-over-month. Finally, with a potential recession looming, we expect the Leading Indicators release (Friday) to keep signaling tighter conditions in the economy.

August 14 – August 18

MON	
TUE	Retail Sales Import/Export Price Indices NAHB Housing Market Index
WED	Building Permits/Housing Starts Industrial Production FOMC Minutes
THU	Jobless Claims Leading Indicators
FRI	
FUTURE EVENTS	8/22 Existing Home Sales 8/23 New Home Sales 8/25 Michigan Sentiment

US EQUITY

- As the 2Q23 earnings season winds down, with ~90% of the S&P 500 market cap having reported, the S&P 500 has posted a negative return (-1.3%) during earnings season (7/13-8/10) for the first time since 1Q22 and only the sixth time in the last 20 quarters as corporate fundamentals are no longer enough to buoy the market amidst a slowing macroeconomic backdrop. Revenue growth has steadily evaporated to roughly flat Y/Y as pricing power wanes in a decelerating inflation regime.* Companies' ability to navigate a more challenging environment, without the ability to pass through pricing to consumers, will drive performance till year end.
- On Tuesday, Moody's downgraded its credit rating on ten regional banks and put five larger banks on review for possible downgrades, citing exposure to commercial real estate (CRE) loans. Despite initial volatility, the downgrades should have a limited impact on the broad stock market. Of the banks downgraded, only one is in the S&P 500 and that institution makes up a mere 0.06% of the S&P 500 Index and 0.45% of the Financials sector. We remain positive on Financials overall as CRE exposure is concentrated among smaller regional banks. Meanwhile, systemically important large-cap banks are well capitalized and much less exposed to CRE, ensuring a well-functioning financial system and flow of credit to businesses and consumers.
- **Focus of the Week:** Next week, we get earnings results from most of the major retailers, led by Target and Walmart. Amidst a slowing economy, investors anxiously await an update on the state of the consumer with hope for signs of continued resilience.

FIXED INCOME

- Supply concerns have been a big driver of the recent upward pressure on bond yields after the Treasury Department boosted its borrowing needs to $1.85 trillion between now and year end—marginally above prior estimates. This has put an increased spotlight on investors' appetite for Treasury debt, particularly now that the Fed is engaged in quantitative tightening. The bond market faced its first test, with $103 billion of 3-, 10- and 30-year bonds issued this week. The 3- and 10-year issues met with strong demand; however, a soft 30-year auction result dented sentiment and pushed longer-maturity yields higher again.* While media reports of potential waning demand for Treasurys continues to dominate news headlines, the reality is the marginal buyer has shifted. And right now, the marginal buyer of Treasurys is the US private sector—not the Fed or foreign buyers. With Treasury yields at their highest level in decades and the possibility of slowing growth and a further deceleration in inflation on the horizon, demand for US Treasurys should remain strong regardless of the Fitch downgrade or upcoming supply pressures.
- **Focus of the Week:** The FOMC meeting minutes will be in focus next Wednesday for clues on the Fed's next move. Since the July meeting, Fed officials have delivered mixed comments—with Bowman leaning more hawkish and Harker/Williams leaning in favor of pausing—leaving the market to question whether the Fed will deliver another rate hike. As of now, there's an 11% chance of a 25 bps rate hike in September. We'll be looking to the Fed's August 24-26th Jackson Hole Symposium for further insights.

POLITICS

- The White House unveiled its long-awaited executive order monitoring and restricting US investment in China. Chinese officials rebuked the order and said they "reserve the right to react." Once the rules are in full effect, certain private market investments into advanced semiconductors and supercomputers will be prohibited, with other investments into legacy semiconductors and artificial intelligence only requiring notification to the Treasury Department. The regulatory process is still in the early stage, but we expect the more meaningful development for the tech space will be updates to export control regulations. Updates later this year may tighten restrictions on tech equipment produced outside of the US, impose controls on access to technology via cloud, and potentially limit the degree to which semi companies can bypass current regulations with less-advanced semi exports.

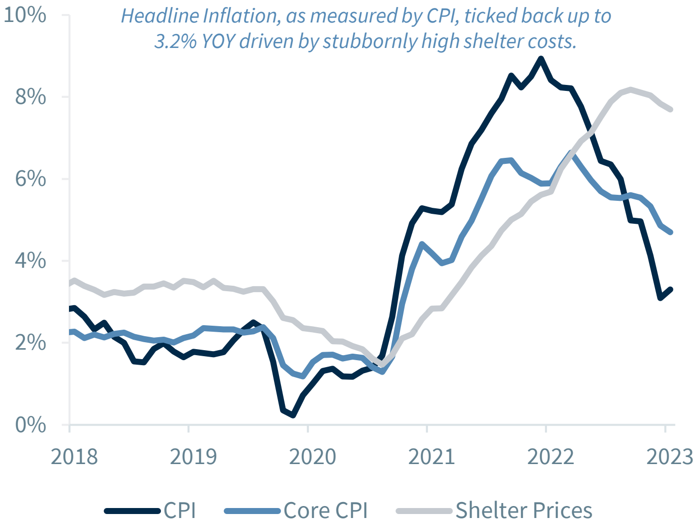
ENERGY

- With oil prices reaching nine-month highs this week, the US national average price at the pump is approaching $4.00/gallon, which has historically been seen as a 'psychological' threshold for consumers.* However, we need to be mindful of the amount of overall inflation over the past two years, which means that $4/gallon is not quite as impactful. The US still has some of the lowest-cost fuel among major economies. For example, China is at approximately $4.40, India $4.80, and Spain $7.00. These are all oil-importing countries, but even when we look at large oil producers, their fuel prices are also higher: Canada and Mexico are both at $5.40, and Norway $8.40! Remember that prices at the pump tend to subside after the summer driving season tapers off, even if the overall oil price level remains high.

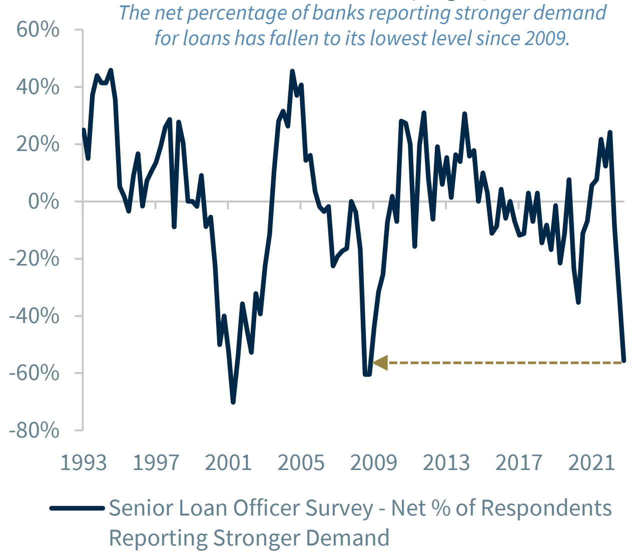
*See Charts of the week on page 3.

Charts of the Week

Inflation Slowdown Stalls



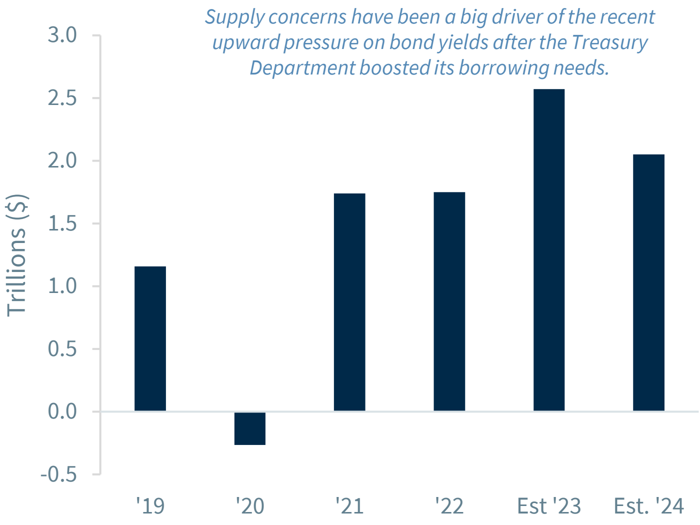
Loan Demand Is Drying Up



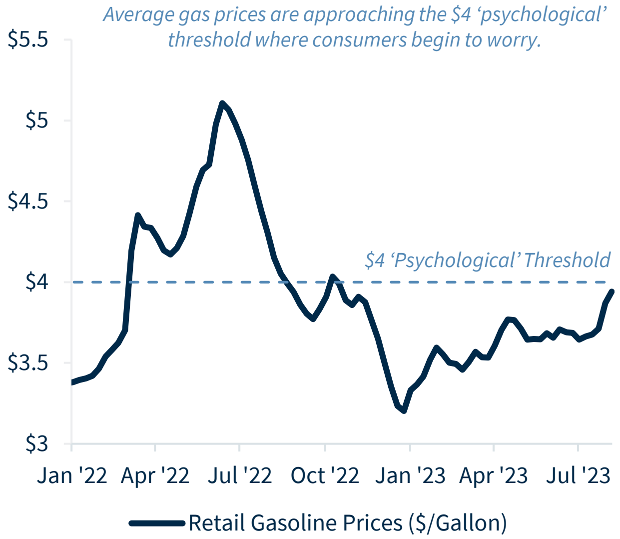
Airline Fares Have Dropped Sharply

S&P Revenue Growth Evaporates

Net Treasury Supply The Market Has To Absorb



National Gas Price Reaches 10-Month High



* Index definitions can be found on the disclosure pages

Asset Class Performance | Distribution by Asset Class and Style (as of August 10)**

Weekly Returns (as of August 10)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	-0.4%	-0.8%	-1.2%
Mid Cap	-0.8%	-1.1%	-1.7%
Small Cap	-1.2%	-1.9%	-2.8%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	1.5%	-0.2%	-0.5%
Mid Cap	1.0%	-0.2%	-0.4%
Small Cap	1.3%	-0.4%	-0.1%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	0.1%	0.4%	0.7%
Invest. Grade	0.2%	0.4%	0.6%
High Yield	0.6%	0.8%	0.7%

Year-to-Date Returns (as of August 10)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	6.9%	17.4%	28.6%
Mid Cap	7.0%	9.9%	14.5%
Small Cap	7.2%	10.1%	12.6%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	13.3%	16.3%	8.2%
Mid Cap	13.1%	10.3%	11.1%
Small Cap	10.4%	11.3%	16.4%

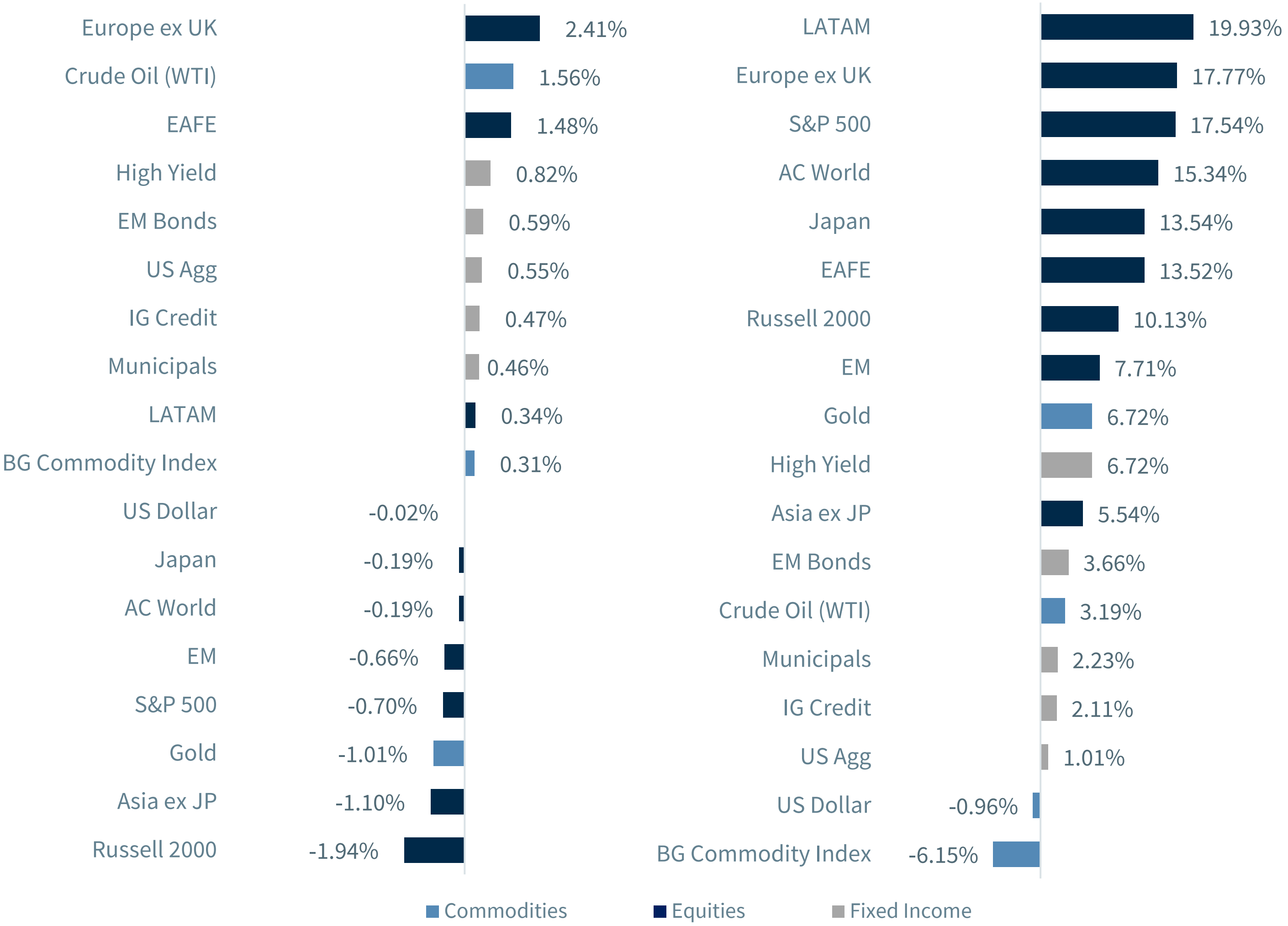
Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	2.9%	0.6%	-0.3%
Invest. Grade	2.1%	2.5%	2.5%
High Yield	6.9%	6.8%	5.8%

Asset Class Performance | Weekly and Year-to-Date (as of August 10)**

Weekly***

Year-to-Date***



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

***Assumes all asset classes are priced in US dollars unless otherwise noted. Ranked in order of performances (best to worst).

Weekly Data**

Data as of August 10

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	4468.8	(0.7)	(2.6)	17.5	8.0	11.7	11.5	12.3
DJ Industrial Average	35176.2	(0.1)	(1.1)	6.1	5.6	8.2	6.8	8.6
NASDAQ Composite Index	13738.0	(1.6)	(4.2)	31.3	6.9	7.8	11.9	14.1
Russell 1000	4707.1	(0.8)	(2.7)	17.4	12.9	13.2	11.9	12.4
Russell 2000	4778.2	(1.9)	(4.0)	10.1	7.9	12.0	5.1	8.2
Russell Midcap	7549.0	(1.1)	(3.0)	9.9	8.7	11.8	8.8	10.1

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	522.0	(1.0)	(3.2)	7.8	6.8	12.2	9.5	9.5
Industrials	919.0	(0.2)	(1.5)	11.6	13.1	14.1	9.8	11.0
Comm Services	225.9	0.5	(2.0)	42.8	14.4	5.7	9.4	7.1
Utilities	325.7	(0.8)	(4.3)	(7.5)	(12.3)	4.7	7.4	8.8
Consumer Discretionary	1342.3	1.2	(1.5)	34.3	3.0	5.4	9.5	12.3
Consumer Staples	783.7	(0.9)	(1.3)	2.1	3.3	9.0	10.5	9.2
Health Care	1570.3	1.5	0.5	0.1	3.2	10.1	10.5	12.2
Information Technology	2971.2	(3.4)	(6.2)	37.6	15.7	15.3	19.7	20.8
Energy	676.3	2.0	1.1	2.6	22.5	38.8	8.6	4.8
Financials	578.7	(0.6)	(1.4)	2.8	2.8	14.0	6.8	9.9
Real Estate	233.7	(0.4)	(2.3)	2.6	(14.0)	4.3	6.1	7.7

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	5.4	0.1	0.1	2.9	4.2	1.5	1.6	1.0
2-Year Treasury (%)	4.8	0.2	0.2	1.0	0.1	(1.2)	0.8	0.6
10-Year Treasury (%)	4.1	0.7	(1.2)	(0.3)	(7.4)	(7.8)	(0.1)	0.7
Bloomberg US Corporate HY	8.5	0.8	(0.1)	6.7	3.0	1.8	3.3	4.4
Bloomberg US Aggregate	5.0	0.5	(1.0)	1.0	(3.7)	(4.8)	0.4	1.4
Bloomberg Municipals	--	0.5	(0.8)	2.2	0.1	(1.4)	1.7	2.8
Bloomberg IG Credit	5.6	0.5	(1.4)	2.1	(2.3)	(4.9)	1.3	2.4
Bloomberg EM Bonds	7.5	0.6	(0.8)	3.7	2.7	(3.9)	1.0	2.6

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	82.8	1.6	1.2	3.2	(9.9)	25.5	4.1	(2.4)
Gold ($/Troy Oz)	1948.9	(1.0)	(3.0)	6.7	7.5	(1.5)	9.8	4.0
Bloomberg Commodity Index	105.9	0.3	(1.4)	(6.1)	(12.3)	14.3	4.7	(1.7)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	102.5	(0.0)	0.7	(1.0)	(2.5)	3.1	1.2	2.4
Euro	1.1	0.8	(0.1)	3.2	6.4	(2.2)	(0.7)	(1.9)
British Pound	1.3	0.3	(1.0)	5.9	3.8	(0.9)	(0.1)	(2.0)
Japanese Yen	144.4	(1.4)	(1.6)	(8.6)	(8.5)	(9.9)	(5.2)	(4.0)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	687.9	(0.2)	(2.6)	15.3	8.4	9.1	8.3	8.8
MSCI EAFE	2153.9	1.5	(1.9)	13.5	13.3	8.3	5.2	5.2
MSCI Europe ex UK	2424.6	2.4	(1.4)	17.8	18.7	9.3	7.1	6.3
MSCI Japan	3514.7	(0.2)	(2.7)	13.5	11.7	5.6	3.6	5.2
MSCI EM	1008.3	(0.7)	(3.6)	7.7	4.5	0.4	1.8	3.4
MSCI Asia ex JP	641.1	(1.1)	(3.7)	5.5	3.3	(0.9)	1.7	4.9
MSCI LATAM	2455.3	0.3	(4.1)	19.9	18.3	14.1	4.6	1.3
Canada S&P/TSX Composite	15177.3	1.1	(1.4)	4.9	2.3	7.0	4.5	5.0

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

DISCLOSURES

All expressions of opinion reflect the judgment of the author(s) and the Investment Strategy Committee and are subject to change. This information should not be construed as a recommendation. The foregoing content is subject to change at any time without notice. Content provided herein is for informational purposes only. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct. Past performance is not a guarantee of future results. Indices and peer groups are not available for direct investment. Any investor who attempts to mimic the performance of an index or peer group would incur fees and expenses that would reduce returns. No investment strategy can guarantee success. Economic and market conditions are subject to change. Investing involves risks including the possible loss of capital.

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 | Currency investing is generally considered speculative because of the significant potential for investment loss. These 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.

CONSUMER PRICE INDEX | The Consumer Price Index (CPI) measures the overall change in consumer prices based on a representative basket of goods and services over time.

PRODUCER PRICE INDEX | The Producer Price Index (PPI) is a measure of wholesale inflation, while the Consumer Price Index measures the prices paid by consumers.

PERSONAL CONSUMPTION EXPENDITURE | Personal Consumption Expenditures (PCE) Personal consumption expenditures (PCE), also known as consumer spending, is a measure of the spending on goods and services by people of the United States.

UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT INDEX | The Michigan Consumer Sentiment Index (MCSI) is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan. The survey is based on telephone interviews that gather information on consumer expectations for the economy.

IMPORT/EXPORT PRICE INDEXES | The US Import and Export Price Indexes measure average changes in prices of goods and services that are imported to or exported from the US.

NAHB HOUSING MARKET INDEX | The National Association of Home Builders (NAHB) Housing Market Index (HMI) rates the relative level of current and future single-family home sales. The data is compiled from a survey of around 900 home builders.

CURRENT CONDITIONS INDEX | The Current Conditions Index, also called the Present Situation Index, is a subindex that measures overall consumer sentiment regarding the present economic situation. This index is determined via a survey conducted for the Conference Board by Nielsen, and it is used to derive the Consumer Confidence Index.

DATA SOURCE | FactSet, Bloomberg as of 8/10/2023

DOMESTIC EQUITY DEFINITION

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.

S&P 500 EQUAL WEIGHT INDEX | The **S&P 500 Equal Weight Index:** The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

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.

COMMODITY INDEX DEFINITION

BLOOMBERG COMMODITY INDEX (BCOM) | The Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited.

DUTCH TTF | The Dutch Title Transfer Facility is a virtual trading hub for gas in the Netherlands and is the primary gas pricing hub for the European gas market.

FIXED INCOME DEFINITION

AGGREGATE BOND | **Bloomberg 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 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 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 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.

BLOOMBERG 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).

BLOOMBERG EMERGING MARKET BOND INDEX | The Bloomberg USD Emerging Market Composite Bond Index is a rules-based, market-value-weighted index engineered to measure USD fixed-rate sovereign and corporate securities issued from emerging markets. The index includes both investment- grade and below-investment-grade securities.

GERMAN BUND | The German bund is a sovereign debt instrument issued by Germany's federal government to finance outgoing expenditures.

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.

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.

CANADA S&P/TSX COMPOSITE | The S&P/TSX Composite Index is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada's primary stock exchange, the Toronto Stock Exchange (TSX). It is the equivalent of the S&P 500 index in the United States, and as such is closely monitored by Canadian investors.

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