THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Summer is quickly coming to an end! While the official end of the season doesn't arrive until mid-September, many families have already transitioned back to school (if you live in the South!) or are gearing up for their last few weeks of fun in the sun! And as many people prepare to turn the page on summer, it's a great time to pause, reflect, and plan for the remainder of the year. Speaking of turning the page, with this week marking the unofficial end of earnings season, with over 90% of S&P 500 companies having reported 2Q23 results, it's a great time to evaluate what we have learned over the last six weeks. Overall, the results were mixed—while earnings came in much better than feared, earnings growth remained negative (-3.4%) and revenue growth was relatively flat. The market's reaction: unenthused, as the S&P 500 has been negative (-3.1%) during earnings season for the first time in five quarters. Below are five key takeaways:

Key Takeaways

Consumer Remains Healthy But Spending Is Shifting

Earnings Recession Has Likely Bottomed

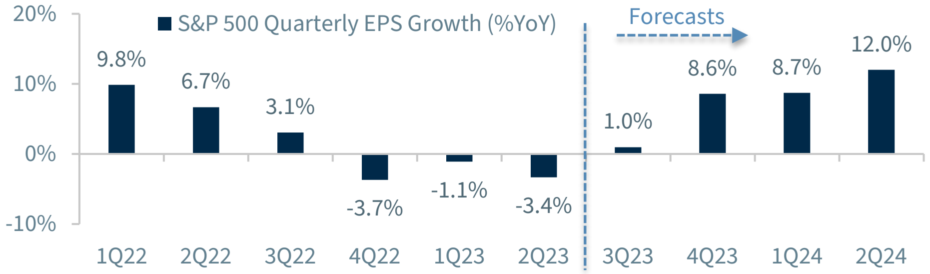
Margins Are Likely To Remain Resilient

- **The Stock Market is Not the Economy |** While economic growth drives corporate earnings, remember that the S&P 500 is not a replica of the US economy. In fact, as economic growth remains positive (and recession calls get pushed out), the S&P 500 remains marred in an earnings recession—posting its third consecutive quarter of declines. Similarly, while nominal GDP growth is growing at a ~6.3% Y/Y pace, revenue growth was up a paltry ~0.5% (the slowest pace since 3Q20). Why the disconnect? One reason is the Energy sector which has seen a decline in earnings of ~40%! Stripping out energy, the remainder of the S&P 500 earnings growth was up ~3% for the quarter and revenue growth was up ~4%. Then why has the Energy sector been rallying? Because since June 30, oil prices have rallied ~14% and the market is anticipating a rebound in energy earnings in 2H23. With the economy remaining resilient and energy earnings rebounding, earnings growth is expected to turn positive next quarter and continue into next year. As a result, there is upside risk building to our $215 and $225 earnings forecast for 2023 and 2024, respectively.
- **Consumer Dynamics Shifting |** Consumer resilience has been a key economic theme over the last 18 months. This trend continued in 2Q, with companies across a wide array of industries (e.g., financials, restaurants, retailers, payment processors) highlighting a healthy consumer across all income spectrums. Travel was a particular focus, with cruise lines and select airlines and hotels reporting record spring/summer demand. However, under the surface there are some shifts in spending dynamics beginning to form. First, consumers are becoming more discerning. Home Depot reported that consumers are focusing on smaller projects, while bigger ticket items remain under pressure. Kellogg's mentioned that consumers are closely managing their household inventories, carefully guarding against waste. Second, Amazon, Unilever and McDonalds noted that consumers are looking for value and trading down. Lastly, some companies are concerned that student loan repayments could pressure already strained budgets. These trends bear watching and support our belief that consumer spending is set to slow and potentially lead to a mild recession late 2023/early 2024.
- **Margins Compress—Will Remain Resilient |** S&P 500 margin compression was minimal in 2Q23, falling slightly to 11.9%—down from a peak of 13.9% in 2Q21.* While margins were modestly lower, there are reasons to believe that margins could stabilize or even move higher. First, inflationary pressures have largely abated, and commodity input prices continue to decline. Second, supply chains are normalizing, and transportation costs are sharply lower. Third, the inventory de-stocking process is near completion, eliminating the need to discount items (which should be a positive for 'goods' retailers). Lastly, margins are likely to remain resilient as companies focus on costs and efficiencies, while still maintaining some pricing power (albeit below peak levels). The key risk for margins is continued wage pressures, particularly given the historically tight labor market. But we expect the job market to soften.
- **Financials Still Healthy |** While concerns about the health of the banking sector reached a crescendo in early March, fears of contagion have largely subsided. Despite earlier trembles and ongoing commercial real estate concerns, Bank CEOs reported that the industry, overall, remains healthy versus historical standards. Credit quality and charge-offs remain much stronger vs pre-COVID levels but deteriorated slightly vs last quarter. Loan growth decelerated, but continues to outpace overall GDP growth. Deposit outflows continued in 2Q, but the pace of outflows moderated. Importantly, capital market activity appears to have bottomed as M&A and IPOs are picking back up. And with the biggest banks in good shape, passing the Federal Reserve's rigorous stress tests, they've been able to boost dividends and increase share buybacks for shareholders.
- **Tech Improving |** While Tech earnings growth was fairly muted (+1.2% YoY), the results were better than expected, with the sector posting its first quarter of positive EPS growth since 1Q22. In addition, Tech had the second strongest magnitude of beats of any sector and saw its 2023 earnings estimate revised 3% higher over the last three months (vs. flat for the S&P 500). Tech earnings were bolstered by strong business investment, as companies within all 11 sectors mentioned that they were looking to boost their tech capex. Importantly, companies are prioritizing AI investments while the pace of cloud spending growth is stabilizing. Strong tech capex is one reason why Tech EPS growth is expected to accelerate to 10% YoY by 4Q and why we continue to favor the sector.

CHART OF THE WEEK

Earnings Recession Set to End in 3Q23

After three consecutive quarters of negative EPS growth, S&P 500 earnings are set to turn higher in the second half of 2023.



Source: FactSet

*See Charts of the week on page 3.

ECONOMY

- Despite some weakness in certain sectors (i.e., home furniture), July retail and food services sales grew 0.7% from last month. More importantly, Control Group Retail Sales—which goes into Personal Consumption Expenditures calculations—grew 1% month-over-month (MoM).* We expect more pronounced weakness in consumption moving forward, as the summer comes to an end.
- Industrial production (+1% MoM) rebounded in July as every major sector—manufacturing, mining, and utilities production—reversed their negative performance in May and June. The largest contributor was the Utilities Production subsector (+5.4% MoM).
- Import prices (+0.4% MoM) increased in July due to higher fuel prices, while export prices (+0.7% MoM) increased due to a rebound in agricultural exports. However, import and export prices remain lower compared to a year earlier at -4.4% and -7.9%, respectively.*
- **Focus of the Week:** We have a couple of important indicators for the housing market next week: New and Existing Homes Sales. We expect a continued shortage in existing homes for sale as mortgage rates near 7.2%.* In addition, pay attention to the Bureau of Labor Statistics' annual payroll guidance updates, a process also known as 'benchmarking', which might cause some revisions to nonfarm payroll data. However, on a historical basis, these revisions tend to be small.

August 21 – August 25

MON	
TUE	Existing Home Sales
WED	New Home Sales Annual BLS Payroll Guidance
THU	Jobless Claims Durable Orders Jackson Hole Symposium (8/24-26)
FRI	Michigan Sentiment
FUTURE EVENTS	8/29 JOLTS 8/31 PCE 9/1 Employment Report

US EQUITY

- After the S&P 500 posted the best YTD performance through July since 1997, the Index is down -4.8% MTD in August. Heading into the summer, stocks looked vulnerable to a temporary setback, owing to excessive economic optimism and lopsided positioning. Technically, 96% of sub-sectors were trading above their 50-day moving average (DMA) on 7/31/2023. We're inclined to interpret recent drawdowns as a pause that refreshes, as opposed to a change in trend. That said, the current pullback is likely to continue until internal breadth reaches washout lows which has typically begun when <30% of sub-sectors are trading above their 50 DMA.
- The increase in Treasury yields is weighing on the risk/reward outlook for equities vs. bonds. As the 10-year Treasury yield reached a new cycle high this week, the spread between the 10-year Treasury yield and the S&P 500 dividend yield hit its highest level since July 2007. Additionally, only 13% of S&P 500 companies currently have a dividend yield above the 10-year Treasury (down from 74% at the lows in the Treasury yield in August 2020). Treasury yields have historically had an inverse relationship with valuations, so higher rates will likely weigh on the equity market in the near term (particularly with valuations up 15% YTD).
- **Focus of the Week:** On Wednesday, Nvidia reports 2Q23 earnings results. Recall, Nvidia's 1Q23 earnings sparked a significant market rally, with the S&P 500 up 7% since 5/25. Markets are eager to learn what the longer-term sustainable growth rate of the GPUs that power the LLMs behind artificial intelligence is in order to determine the potential index level financial impact of AI.

FIXED INCOME

- The pressure on global bond yields continued, with the 10-yr Treasury (4.29%) rising above the October 2022 peak of 4.23%.* The FOMC minutes had nuggets for both bulls and bears. While the minutes discussed the downside risks to growth, the move higher in yields was spurred by policymakers mentioning they saw significant upside risks to inflation, which could invite more tightening from the Fed. The one surprise in the FOMC minutes was the reference to continuing the balance sheet run-off after the Fed begins to cut rates. Better than expected growth, peak disinflation, and supply concerns remain the driving force behind the recent upward march in bond yields and the bear steepening in the yield curve (i.e., longer-term yields rise faster than shorter term yields). In fact, there have only been six occurrences where the yield curve has bear steepened going back to the early 1980s and most of them occurred during the period when Fed policy was extremely easy and conducting quantitative easing—bearing no resemblance to the current environment. While the speed of the move higher in yields over the last month is unnerving and calls into question our 3.25% year-end Treasury yield forecast, we are sticking with our view. However, we'll need to see a turn in the labor market soon.
- **Focus of the Week:** Market attention will turn to the Jackson Hole Symposium next week as Chairman Powell is expected to share his economic outlook on Friday at 10 am EST. While Powell will likely refrain from giving any explicit guidance, we'll be watching what he says about the recent bond market rout, the surprisingly strong economic data, the Fed's 2% inflation target, and any thoughts about the neutral policy rate (i.e., has it shifted higher?).

POLITICS

- As the end of the August congressional recess approaches, attention is turning to the government funding debate ahead of the September 30 deadline. At this stage, we do not think a shutdown is likely, with conversations trending toward the possibility of a continuing resolution (i.e., stopgap funding). We expect negotiations to focus on the potential for additional spending across key issues, including defense, disaster relief (Hawaii wildfires), and border measures. If a shutdown does occur, we do not expect it to be long or to have significant market impacts, but more material impacts could be seen toward the end of the year given that the June debt limit deal will trigger automatic spending cuts in 2024 if a funding agreement is not struck. Overall, we see more urgency to settle funding in the fall/winter period, but uncertainty remains regarding the politics of the budget battles as the process plays out.

INTERNATIONAL

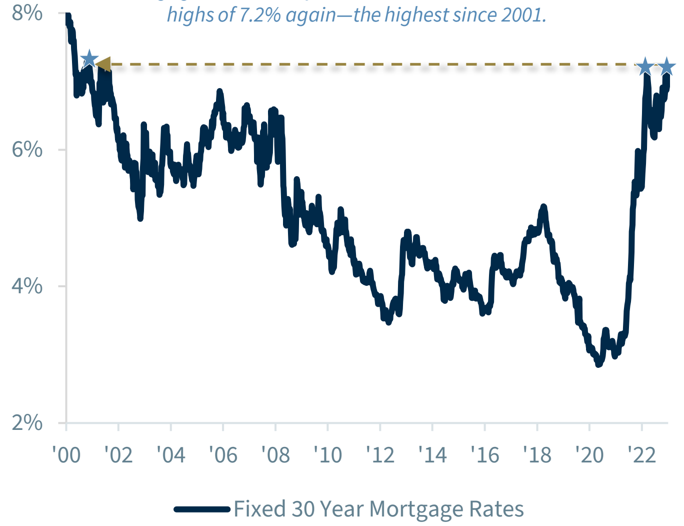
- Global central bank policy divergences continue. While some Latin American central banks are cutting rates, this week brought rate increases from Argentina (+21%) and Russia (+3.5%). Argentina's move came with a 18% devaluation in the 'official' peso rate, which is down ~98% YTD. Russia's rate hike was meant to stem the decline in the ruble, which is down 28% YTD. China delivered an emergency rate cut, dropping its one-year loan rate by 15 bps to 2.5%, following a series of weak economic reports (i.e., consumer spending, unemployment, deflation). With China's property sector woes deepening, the government's policy response has thus far been unimpressive and calls for a bigger response are heating up as stocks (~-6%) and the Chinese yuan (~6%) are down YTD.

 *See Charts of the week on page 3.

Charts of the Week

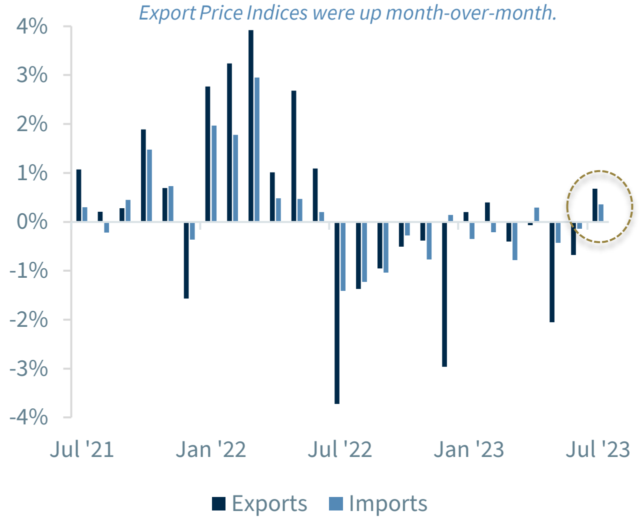
Mortgage Rates At Year-To-Date Highs

Mortgage rates on 30-year fixed contracts reached 2022 highs of 7.2% again—the highest since 2001.



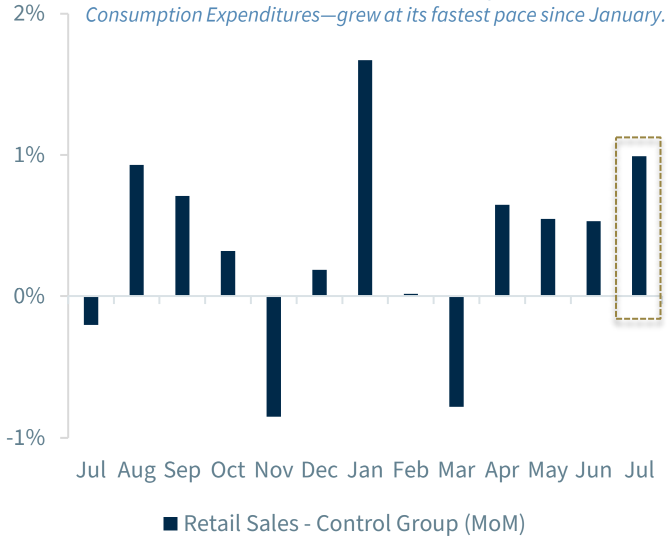
Growth In Import And Export Prices

For the first time since June 2022, both the Import and Export Price Indices were up month-over-month.



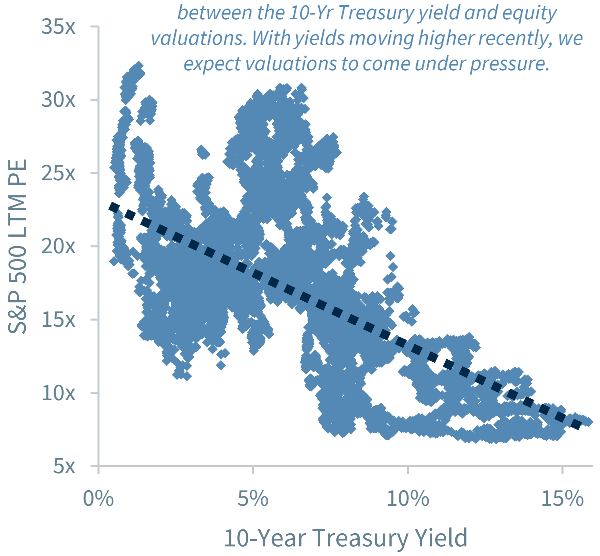
Q3 Kicks Off With Strong Consumer Spending

Control Group Retail Sales—a measure that goes into Personal Consumption Expenditures—grew at its fastest pace since January.



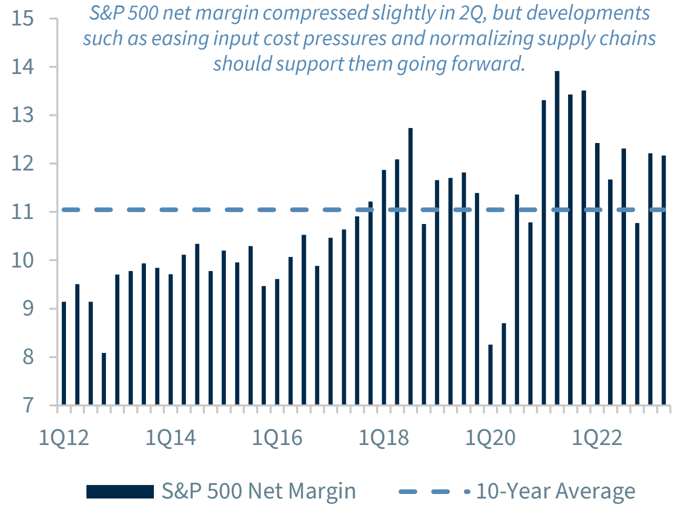
Rising Yields a Headwind for Equity Valuations

Historically there has been an inverse relationship between the 10-Yr Treasury yield and equity valuations. With yields moving higher recently, we expect valuations to come under pressure.



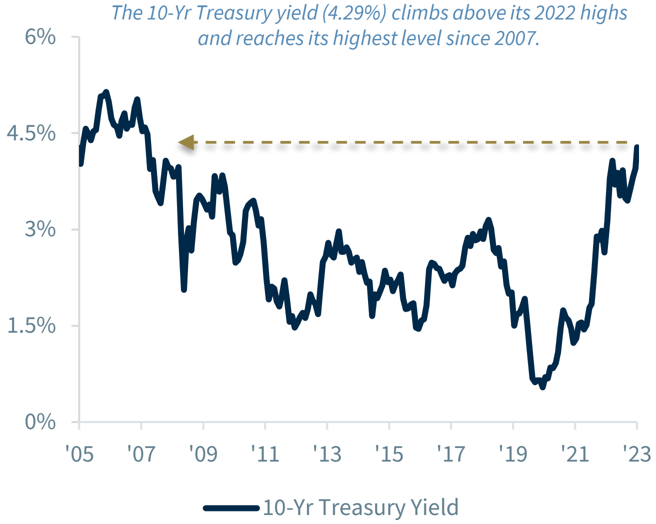
Margins Compress But Should Remain Above Average

S&P 500 net margin compressed slightly in 2Q, but developments such as easing input cost pressures and normalizing supply chains should support them going forward.



10-Year Treasury Climbs To Highest Level Since 2007

The 10-Yr Treasury yield (4.29%) climbs above its 2022 highs and reaches its highest level since 2007.



* Index definitions can be found on the disclosure pages

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

Weekly Returns (as of August 17)

US Equities (Russell indices)	Value	Blend	Growth
Large Cap	-2.3%	-2.2%	-2.2%
Mid Cap	-3.2%	-3.2%	-3.1%
Small Cap	-3.8%	-3.7%	-3.7%

International Equities (MSCI indices)	Dev. Mkt	World	Emerg. Mkt
Large Cap	-2.9%	-2.4%	-2.7%
Mid Cap	-3.0%	-2.9%	-1.7%
Small Cap	-2.4%	-2.8%	-0.7%

Fixed Income (Bloomberg indices)	1-3 YR	Medium	Long
Treasury	0.1%	-0.8%	-1.4%
Invest. Grade	-0.2%	-0.8%	-1.3%
High Yield	-0.2%	-0.8%	-1.5%

Year-to-Date Returns (as of August 17)

US Equities (Russell indices)	Value	Blend	Growth
Large Cap	4.4%	14.8%	25.8%
Mid Cap	3.6%	6.4%	11.0%
Small Cap	3.2%	6.0%	8.5%

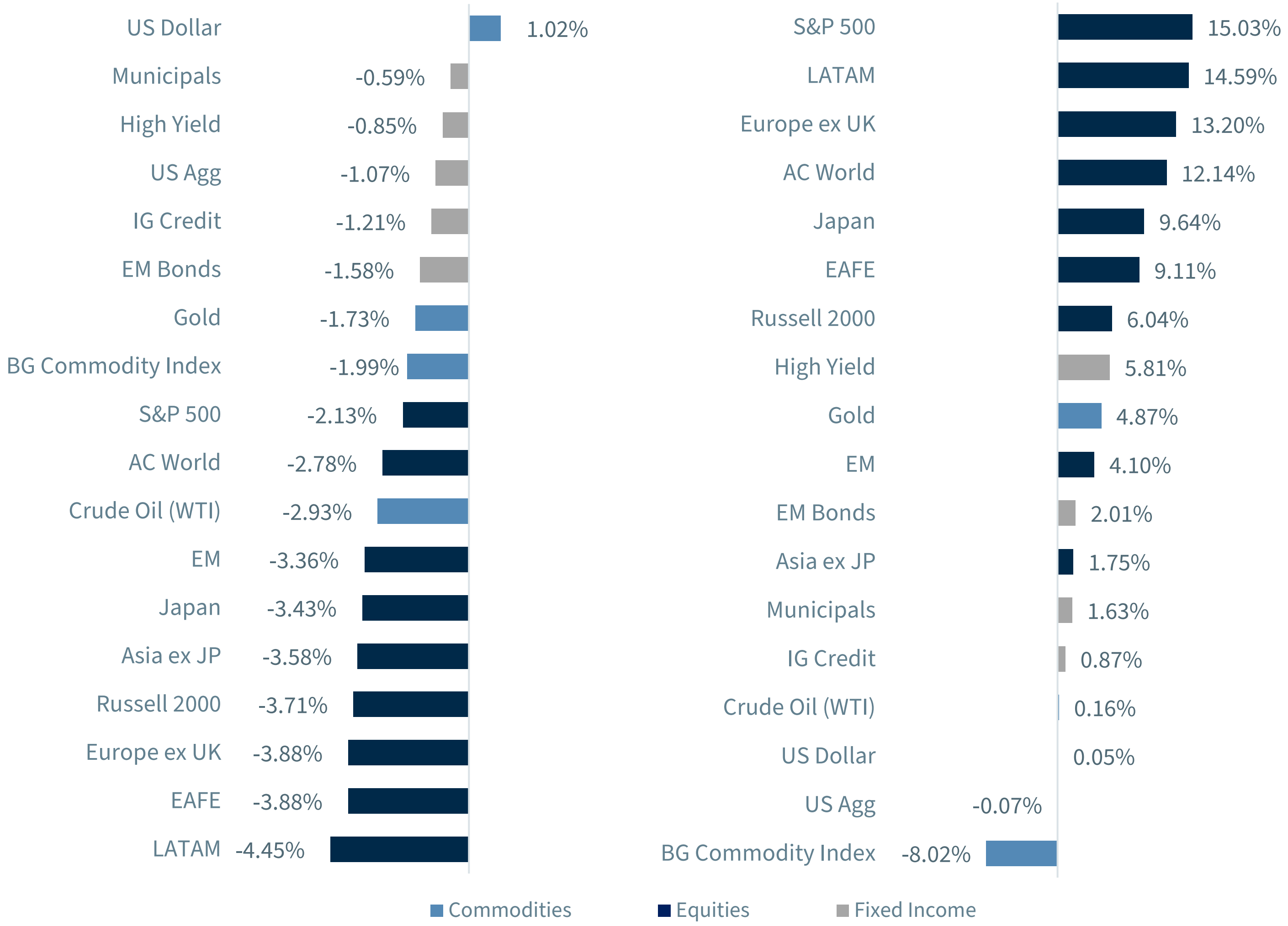
International Equities (MSCI indices)	Dev. Mkt	World	Emerg. Mkt
Large Cap	10.0%	13.5%	5.3%
Mid Cap	9.7%	7.1%	9.1%
Small Cap	7.7%	8.2%	15.6%

Fixed Income (Bloomberg indices)	1-3 YR	Medium	Long
Treasury	3.0%	-0.2%	-1.7%
Invest. Grade	1.9%	1.7%	1.2%
High Yield	6.6%	5.9%	4.2%

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

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 17

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	4370.4	(2.1)	(4.7)	15.0	4.0	10.7	10.8	12.3
DJ Industrial Average	34474.8	(2.0)	(3.1)	4.0	1.5	7.4	6.1	8.6
NASDAQ Composite Index	13316.9	(3.1)	(7.2)	27.2	2.9	6.2	11.2	14.0
Russell 1000	4598.1	(2.2)	(4.9)	14.8	12.9	13.2	11.9	12.4
Russell 2000	4597.9	(3.7)	(7.5)	6.0	7.9	12.0	5.1	8.2
Russell Midcap	7304.7	(3.2)	(6.1)	6.4	8.7	11.8	8.8	10.1

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	508.6	(2.5)	(5.7)	5.1	2.8	10.9	9.0	9.3
Industrials	895.9	(2.4)	(3.9)	8.9	8.3	13.1	8.9	10.9
Comm Services	220.9	(2.2)	(4.2)	39.6	11.2	4.8	8.1	7.1
Utilities	319.6	(1.7)	(5.9)	(9.0)	(15.9)	4.8	6.4	9.0
Consumer Discretionary	1287.8	(4.1)	(5.4)	28.9	(3.3)	3.2	8.6	12.2
Consumer Staples	763.2	(2.6)	(3.8)	(0.5)	(2.0)	7.7	9.2	9.3
Health Care	1554.5	(1.0)	(0.4)	(0.9)	2.0	9.3	10.0	12.4
Information Technology	2917.5	(1.7)	(7.8)	35.2	12.3	14.2	19.3	20.6
Energy	669.2	(0.6)	0.6	2.0	18.4	38.9	9.2	4.9
Financials	564.4	(2.5)	(3.8)	0.3	(2.5)	13.4	6.1	9.9
Real Estate	225.9	(3.3)	(5.5)	(0.8)	(17.6)	3.4	4.8	8.1

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	5.4	0.1	0.3	3.0	4.2	1.5	1.6	1.0
2-Year Treasury (%)	4.9	(0.1)	0.1	0.9	0.1	(1.2)	0.7	0.6
10-Year Treasury (%)	4.3	(1.4)	(2.6)	(1.7)	(8.0)	(8.0)	(0.4)	0.8
Bloomberg US Corporate HY	8.7	(0.8)	(1.0)	5.8	2.3	1.7	3.2	4.3
Bloomberg US Aggregate	5.1	(1.1)	(2.1)	(0.1)	(4.2)	(4.9)	0.2	1.4
Bloomberg Municipals	--	(0.6)	(1.4)	1.6	0.5	(1.5)	1.5	2.8
Bloomberg IG Credit	5.8	(1.2)	(2.6)	0.9	(3.1)	(4.8)	1.0	2.5
Bloomberg EM Bonds	7.8	(1.6)	(2.4)	2.0	1.3	(4.3)	0.7	2.6

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	80.4	(2.9)	(1.7)	0.2	(8.8)	23.3	4.1	(2.9)
Gold ($/Troy Oz)	1915.2	(1.7)	(4.7)	4.9	7.8	(1.4)	10.1	3.4
Bloomberg Commodity Index	103.8	(2.0)	(3.3)	(8.0)	(14.5)	12.9	4.5	(2.2)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	103.6	1.0	1.7	0.0	(2.8)	3.7	1.5	2.5
Euro	1.1	(1.2)	(1.2)	2.0	7.2	(2.8)	(0.9)	(2.0)
British Pound	1.3	0.2	(0.9)	6.1	5.9	(0.9)	0.0	(2.0)
Japanese Yen	146.0	(1.1)	(2.7)	(9.6)	(7.2)	(10.1)	(5.4)	(4.0)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	668.3	(2.8)	(5.4)	12.1	4.4	7.6	7.8	8.6
MSCI EAFE	2069.0	(3.9)	(5.8)	9.1	9.8	6.0	4.6	4.8
MSCI Europe ex UK	2329.9	(3.9)	(5.2)	13.2	16.5	7.0	6.5	5.8
MSCI Japan	3394.1	(3.4)	(6.0)	9.6	6.2	3.1	3.1	5.0
MSCI EM	973.9	(3.4)	(6.8)	4.1	(1.1)	(1.2)	1.9	3.0
MSCI Asia ex JP	617.7	(3.6)	(7.2)	1.8	(2.5)	(2.6)	1.7	4.3
MSCI LATAM	2339.8	(4.5)	(8.4)	14.6	11.9	13.2	4.2	1.1
Canada S&P/TSX Composite	14661.6	(2.6)	(3.9)	2.2	(1.8)	6.0	4.0	4.5

**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 | 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.

ISM MANUFACTURING INDEX | The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms.

ISM NON-MANUFACTURING (SERVICES) INDEX | The ISM Non-Manufacturing, or Services Index, measures business activity for the overall economy; above 50 indicating growth, while below 50 indicating contraction. The index represents the economic activity of more than 15 industries, measuring employment, prices, and inventory levels.

NFIB SMALL BUSINESS INDEX | The National Federation of Independent Business (NFIB) Small Business Optimism Index is a composite of ten seasonally adjusted components. It provides a indication of the health of small businesses in the U.S., which account of roughly 50% of the nation's private workforce.

CITIGROUP ECONOMIC SURPRISE INDEX | The Citigroup Economic Surprise Index represents the sum of the difference between official economic results and forecasts

SENIOR LOAN OFFICER SURVEY | Survey of up to eighty large domestic banks and twenty-four U.S. branches and agencies of foreign banks. The Federal Reserve generally conducts the survey quarterly, timing it so that results are available for the January/February, April/May, August, and October/November meetings of the Federal Open Market Committee.

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DATA SOURCE | FactSet, Bloomberg as of 8/17/2023

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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