Markets and Raymond James offices will be closed Monday, September 4 in honor of Labor Day. Enjoy the long weekend!

September 1, 2023

THOUGHTS OF THE WEEK

Larry Adam, Chief Investment Officer

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WEEKLY HEADINGS

Key Takeaways

Growth Boost Is Likely To Prove Short-Lived

Weaker Growth Will Drive Treasury Yields Lower

Still Cautious On Equities Near Term

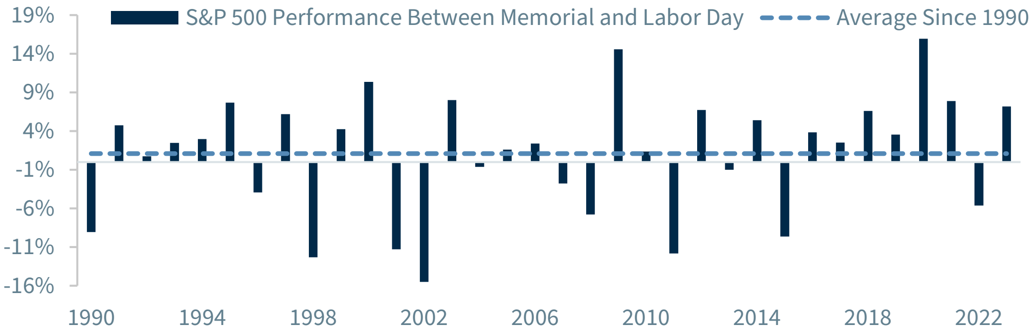
Happy Labor Day! This weekend marks the 'unofficial end' to summer—the last weekend to squeeze in another summer getaway! And there has been no shortage of summer excursions as this marked the second consecutive year of blockbuster summer travel. While many of us were having fun in the sun, the economy and markets, unfortunately, did not take a vacation. And there was plenty that happened this summer—from travel and leisure boosting growth to the S&P 500 defying performance myths to the bond market dealing with another US credit downgrade. As investors prepare for the stretch run to year end, we summarize the key events that occurred during the summer and give our latest thoughts as we move forward.

- **Summer Of Revenge Travel II Temporarily Boosts Growth |** The resilient consumer has kept the economy afloat. While consumers have gotten more discerning with their spending (as highlighted by a number of companies in their 2Q earnings calls), their insatiable demand for travel has not wavered. Just as we forecasted, the 'Summer of Revenge Travel—Part II' was on full display with TSA screenings at record levels, hotel occupancy back to pre-COVID levels, and the cruise industry experiencing a summertime boom. It wasn't just travel either as other events such as movies (e.g., Barbie, Oppenheimer), concerts (e.g., Taylor Swift and Beyoncé) and sporting events (e.g., Messi) provided a strong one-time boost to economic activity. This resilient consumer spending has led the consensus to pull back its recession calls, with fewer than 50% expecting a recession in the next 12 months.
- ***Our View*** | We expect the summertime boost to growth to be short-lived as headwinds are building. With the summer travel season winding down, excess savings depleted, student loan payments restarting, job growth slowing, and higher borrowing costs (i.e., credit card, mortgage, auto loans) weighing on the consumer, it is likely consumer spending will become challenged. Our expectation of a small retrenchment in consumer spending should push the US economy into a mild recession in 1Q24.
- **Rising Treasury Yields Turns Performance Negative Again |** Despite the steady deceleration in inflation, bond yields climbed throughout the summer in response to stronger than expected economic data and Fitch's US debt-rating downgrade. In fact, the ~80 bps rise in the 10-year Treasury yield since the April 6 low has pushed its performance into negative territory for the second year in a row during the summer (defined as Memorial Day to Labor Day).* This is the first time on record we have seen back-to-back declines during this period. Consensus sentiment on interest rates has also soured as the higher-for-longer narrative gains momentum with some analysts suggesting the 10-year Treasury bond yield will move to ~5% and stay there for a while.
- ***Our View*** | We disagree with the call for higher interest rates and believe the path forward for yields will be lower over the next 12 months, primarily driven by our expectation of a slowing economy, a further deceleration in inflation, and the Fed ending its tightening cycle soon. Hints of a slowdown in job growth (i.e., declining JOLTS job openings, downward revisions to payrolls), falling consumer confidence and depleted excess savings will likely cause a 'growth scare' by year end.
- **Solid Summer Performance From The Equity Markets |** The 'Sell in May and Go Away' myth proved to be just that—a myth. Stronger than expected economic data, slowing inflation and hopes that the Fed is nearing the end of its tightening cycle put the S&P 500 on track for a 7% gain this summer. This is the seventh time in the last eight years that the S&P 500 was higher during the summer (Memorial Day to Labor Day). In addition, the mega caps weren't the only names driving the market higher as there was a broadening of performance. In fact, 10 of 11 sectors were in positive territory with select cyclicals, such as Energy, Consumer Discretionary and Industrials leading the way. Second quarter earnings were better than feared although the S&P 500 posted its third consecutive quarter of negative earnings growth. One bright spot: positive corporate guidance saw earnings for 2023 and 2024 inflect higher which fundamentally supports recent gains. While volatility did increase throughout August, the S&P 500 narrowly avoided a 5% pullback. In fact, the -4.8% peak to trough decline this summer was just over half the typical summertime pullback (-8.5%). Consensus optimism continues to grow for the S&P 500 with many Wall Street strategists lifting their S&P 500 targets.
- ***Our View*** | While the S&P 500 delivered solid performance this summer, we remain cautious in the near term given the Index remains modestly above our year-end target of 4,400. In addition to September being the seasonally weakest month of the year, if the economy starts to weaken (as we expect), growth concerns could weigh on the earnings outlook and investor sentiment again. Despite our cautious near-term outlook, we remain optimistic longer term (S&P 500 12-month target: 4,600) as still solid corporate fundamentals, lower interest rates and a more accommodative Fed should provide solid underpinnings to the market.

CHART OF THE WEEK

Sell In May And Go Away Strategy Is A Myth!

While a catchy phrase in the financial media, the 'Sell In May And Go Away' strategy has not worked in seven of the last eight years, with the S&P 500 higher in recent years over the Memorial Day to Labor Day period.



Source: FactSet

*See Charts of the week on page 3.

RAYMOND JAMES

ECONOMY

- Real GDP growth during 2Q23 was revised down (from 2.4% to 2.1% quarter-over-quarter, annualized), mostly driven by weaker Gross Private Domestic Investments. Lower growth and weaker increases in prices came as good news for the Federal Reserve (Fed).
- The lack of supply of existing homes for sale has kept upward pressure on national house prices, with the FHFA Home Price Index (+0.3% month-over-month) increasing for the tenth consecutive month. However, the Pending Home Sales Index—a precursor to the Existing Home Sales Index—has increased for the 2nd month in a row which could signal further growth ahead in Existing Home Sales.
- The recent upward trend in US national gasoline prices (~$3.9/gallon) has put downward pressure on sentiment, with the Consumer Confidence Index falling from 114 to 106.1 in August as both the 'current' and 'expectations' subindices declined.*
- In line with expectations, both Personal Consumption Expenditure (PCE) and core PCE Prices increased 3.3% and 4.2% (year-over-year(YoY)), respectively. Of importance, goods prices decreased for the second month in a row (-0.6% in June and -0.5% in July YoY).
- The JOLTS report brought good tidings to markets, as 'job openings' declined significantly in July to 8.8 million and the 'quits rate' also fell to its lowest level since January 2021, at 2.3%.* Meanwhile, the August employment report recorded a stronger than expected number of jobs added (187k), but jobs added in June and July were revised downward by a combined 134k jobs.* Perhaps the most positive developments for the Fed were the increases in the Labor Participation Rate (62.8%) and the Unemployment Rate (3.8%).
- **Focus of the Week:** First, we will keep an eye out for potential insights in the next Fed Beige Book release on Wednesday regarding the state of economic activity across the US. Second, we expect the ISM Services Purchasing Manager Index release on Wednesday to remain in expansion territory (above 50) for the eighth consecutive month in August.

September 4 – September 8

MON Labor Day (*markets closed*)

TUE Durable Orders

WED Trade Balance, ISM Services

THU Jobless Claims, Unit Labor Costs (Q2), Fed Beige Book

FRI Wholesale Inventories, Consumer Credit

FUTURE EVENTS
9/12 NFIB Small Business Index
9/13 CPI
9/14 PPI

US EQUITY

- With the 2Q23 earnings season behind us, investors have turned their attention to macroeconomic data. Equity investors received positive news on this front, as easing labor data (falling job openings, softening consumer confidence) pushed bond yields lower. This led to an equity rally that nearly erased the August MTD declines led by the long-duration sectors of the market including Technology (+4.2% WTD), Communication Services (+4% WTD), and Consumer Discretionary (+3.6% WTD). The S&P 500's 1.45% gain on 8/29 after the JOLTS release was its best day since 6/2 and pushed the Index past the key 50 DMA (4,458) level of resistance.
- The Volatility Index (VIX) which measures implied volatility of the market has retraced the entire spike in August and is back below 14. Despite lower implied volatility expectations, we remain mildly cautious on the broader equity market in the near term given that September is historically the weakest performance month of the year returning -0.9%, on average, since 1978.*
- **Focus of the Week**: Markets continue to be laser focused on economic data and the Fed. We highlight Factory Orders on Tuesday and Consumer Credit on Friday to gauge the health of economic activity and the consumer.

FIXED INCOME

- Powell's Jackson Hole speech didn't contain any surprises as he delivered the same message we've been hearing for months now: the Fed is committed to bringing inflation back down to 2%, the FOMC is prepared to raise rates further and policymakers intend to hold policy at a restrictive level for some time. While the average duration from the last rate hike to the first rate cut is ~7 months over the last five tightening cycles, there is considerable variability around that average with the shortest pause just three months and the longest lasting over 14 months. There were also some concerns that Powell may hint at a change in the Fed's inflation target, but he pushed back strongly against that view. Some downside economic surprises this week (i.e., softer JOLTs job openings, weaker consumer confidence) have stopped the relentless rise in Treasury yields, with yields down 15-20 bps across the curve.
- **Focus of the Week:** After the soft payroll report, the market's attention will shift to the upcoming central bank meetings (i.e., Australia, Canada, ECB, Fed and Bank of Japan) over the next few weeks and the inflation report on 9/13, which is the last major economic report before the Fed's 9/19-9/20 policy decision. This will be a key meeting as the Fed will update its economic forecasts. All eyes will be on whether the Fed lifts its longer-term estimate of the neutral rate, which has coalesced around 2.5% since 2019.

POLITICS

- We saw positive progress toward a less volatile market backdrop in US-China relations following a high-level trip by Commerce Secretary Gina Raimondo to China. Several days of meetings saw the establishment of diplomatic dialogues on key commercial issues in the bilateral relationship, which can act as additional pressure release valves and limit the possibility of market risks. The next catalysts for investors to watch will be impactful updates to export controls (which we expect to be released in September ahead of potential meetings between Presidents Biden and Xi later this fall) and additional legislation from Congress as part of the appropriations debate. Raimondo's firm stance on US national security interests during the visit will likely limit pushback on issues including outbound investment screening; however, hawkish pressure in Congress may still carry long-term market risks.

ENERGY

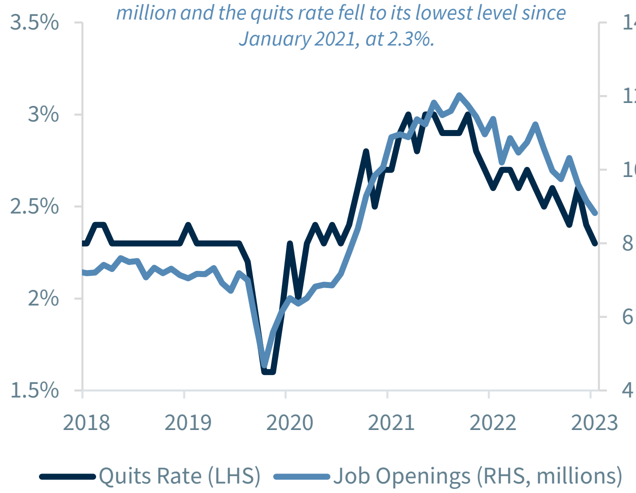
- Oil price volatility as of this week is down to the lowest level since before COVID. By way of background, oil market volatility is created whenever there are major sources of uncertainty, from either the demand side or the supply side. Throughout 2020 and 2021, the question marks were overwhelmingly demand-related (COVID, the associated lockdowns, travel disruptions). Then, as the pandemic gradually subsided, in February 2022 Russia invaded Ukraine, thereby creating question marks surrounding sanctions, divestments, and the Kremlin's weaponization of energy exports. Now in 2023, oil demand has been quite predictable—despite global monetary tightening—and the oil market has also largely adapted to the backdrop of Russia's war in Ukraine. With the oil market having a relatively low level of uncertainty, this explains why volatility is lower than at any point over the past three years.

*See Charts of the week on page 3.

Charts of the Week

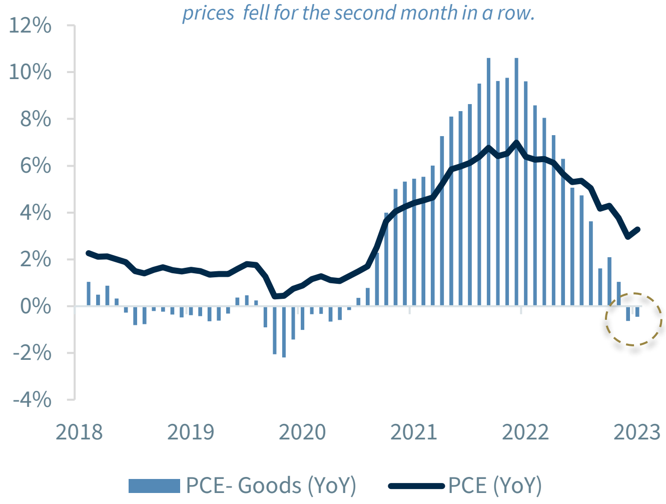
Labor Market Loosening

Job openings declined significantly in July to 8.8 million and the quits rate fell to its lowest level since January 2021, at 2.3%.



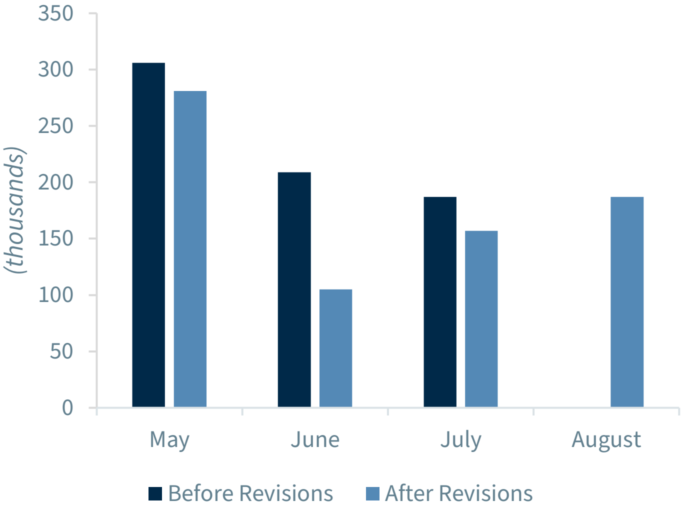
Goods Prices Plunge

Despite a recent uptick in headline PCE, goods prices fell for the second month in a row.



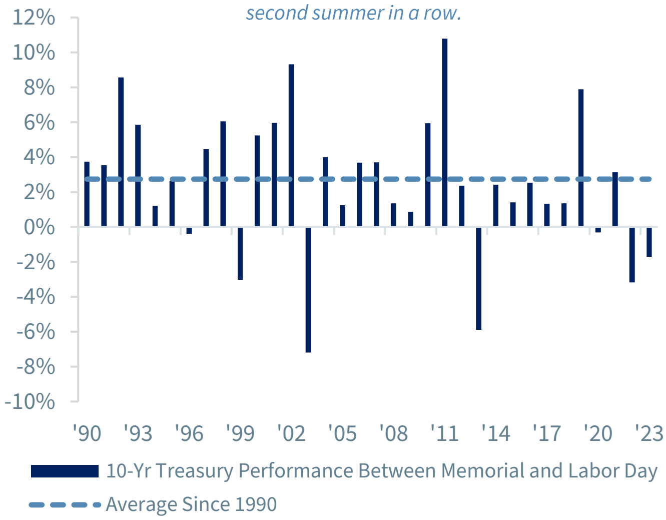
Major Downward Revisions To Jobs Added

We have seen significant downward revisions to jobs added this year (-134k in June and July alone).



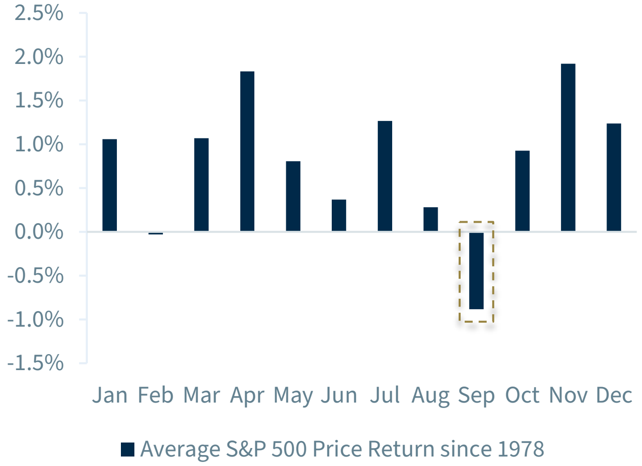
Two Consecutive Summers Of Negative Treasury Returns

The sharp rise in 10-year Treasury yields since April has pushed its performance into negative territory for the second summer in a row.



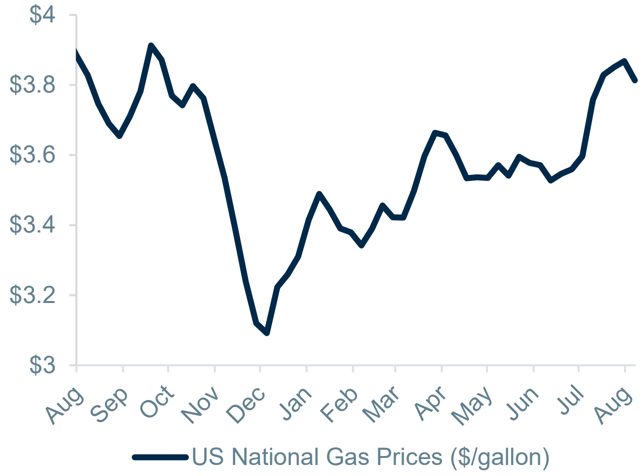
September is the Weakest Month of the Year for Equities

Dating back to 1978, September is the weakest month of the year for S&P 500 performance on average.



Pump Prices Push Higher

August saw average gas prices increase almost 3% to ~$3.9/gallon. Higher gas prices tend to weigh on investor sentiment.



* Index definitions can be found on the disclosure pages

Asset Class Performance | Distribution by Asset Class and Style (as of August 31)**

Weekly Returns (as of August 31)

US Equities (Russell indices)	Value	Blend	Growth
Large Cap	2.0%	3.2%	4.2%
Mid Cap	2.5%	2.9%	3.7%
Small Cap	2.5%	2.9%	3.4%

International Equities (MSCI indices)	Dev. Mkt	World	Emerg. Mkt
Large Cap	1.5%	2.5%	0.0%
Mid Cap	2.2%	2.3%	0.3%
Small Cap	2.0%	2.6%	1.6%

Fixed Income (Bloomberg indices)	1-3 YR	Medium	Long
Treasury	0.1%	0.7%	1.2%
Invest. Grade	0.4%	0.7%	1.1%
High Yield	0.5%	1.0%	1.9%

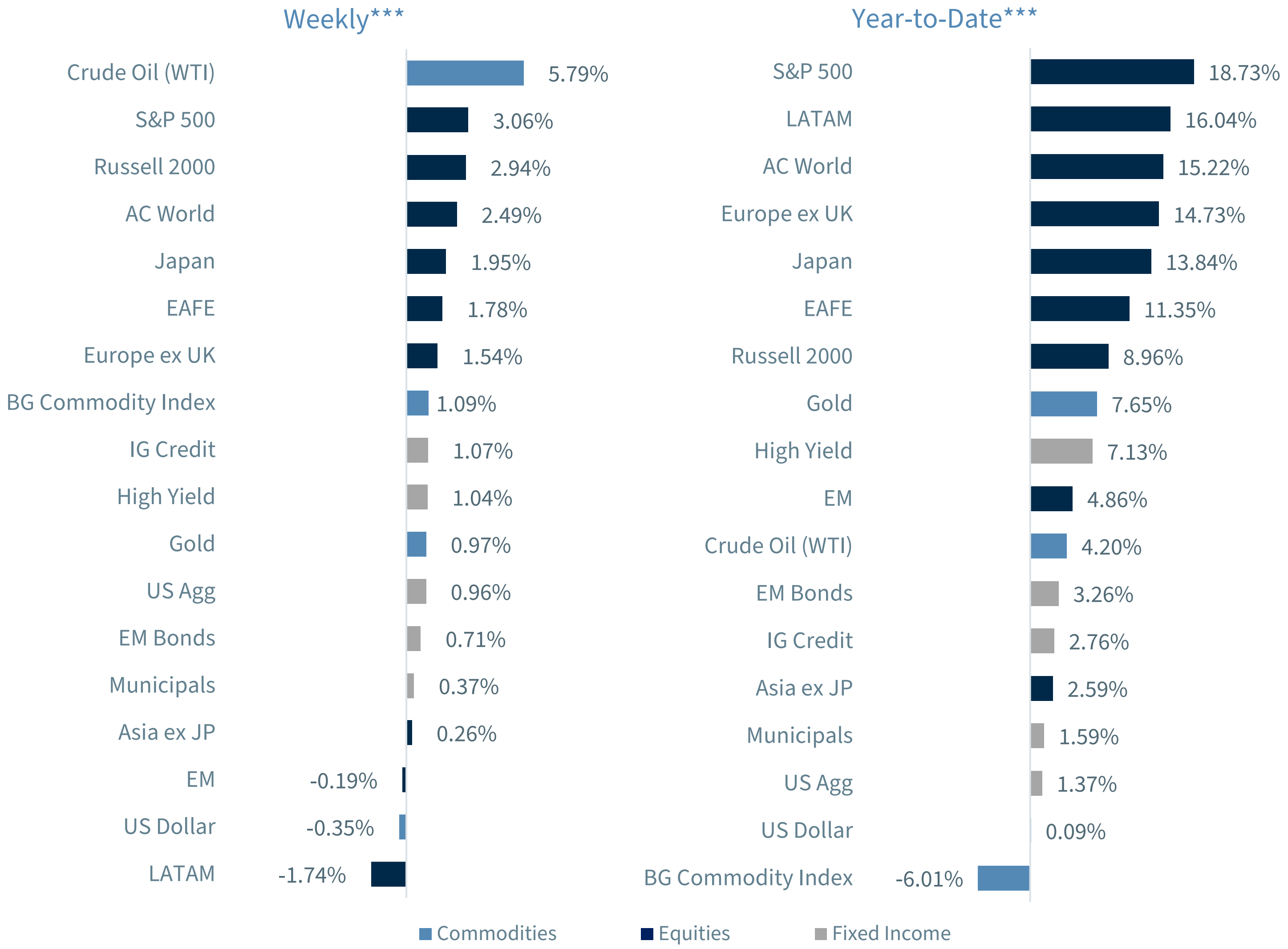
Year-to-Date Returns (as of August 31)

US Equities (Russell indices)	Value	Blend	Growth
Large Cap	5.9%	18.6%	32.2%
Mid Cap	5.9%	9.4%	15.5%
Small Cap	4.9%	9.0%	12.7%

International Equities (MSCI indices)	Dev. Mkt	World	Emerg. Mkt
Large Cap	12.3%	16.7%	5.5%
Mid Cap	12.7%	9.7%	9.7%
Small Cap	10.0%	11.2%	18.7%

Fixed Income (Bloomberg indices)	1-3 YR	Medium	Long
Treasury	3.3%	0.7%	0.0%
Invest. Grade	2.3%	2.8%	2.9%
High Yield	7.4%	7.2%	6.4%

Asset Class Performance | Weekly and Year-to-Date (as of August 31)**



**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 31

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	4507.7	3.1	0.0	18.7	15.9	10.5	11.1	12.8
DJ Industrial Average	34721.9	1.8	0.0	4.8	10.2	6.9	6.0	8.9
NASDAQ Composite Index	14035.0	4.2	0.0	34.1	18.8	6.0	11.6	14.6
Russell 1000	4748.2	3.2	(1.7)	18.6	15.4	9.9	10.8	12.6
Russell 2000	4721.2	2.9	(5.0)	9.0	4.7	8.1	3.1	8.0
Russell Midcap	7502.0	2.9	(3.5)	9.4	8.4	9.2	7.3	10.0

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	520.8	2.9	0.0	7.8	12.4	11.8	9.2	9.7
Industrials	912.9	2.4	0.0	11.1	18.6	13.5	9.1	11.3
Comm Services	229.7	4.2	0.0	45.2	25.8	4.1	9.5	7.6
Utilities	317.7	(0.3)	0.0	(9.3)	(12.6)	5.3	6.8	9.1
Consumer Discretionary	1344.8	4.8	0.0	34.7	11.3	3.2	8.7	12.8
Consumer Staples	764.0	1.2	0.0	(0.2)	3.5	7.2	9.7	9.5
Health Care	1549.3	0.5	0.0	(1.2)	8.6	8.9	9.5	12.4
Information Technology	3121.2	5.1	0.0	44.7	33.3	13.9	20.0	21.6
Energy	677.5	2.8	0.0	3.3	15.1	42.5	9.0	5.0
Financials	570.7	1.6	0.0	1.5	6.4	13.4	6.2	10.3
Real Estate	231.3	1.8	0.0	1.7	(8.3)	4.1	5.4	8.2

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	5.4	0.1	0.0	3.2	4.4	1.6	1.7	1.0
2-Year Treasury (%)	4.9	0.3	0.0	1.2	0.6	(1.2)	0.8	0.6
10-Year Treasury (%)	4.1	1.2	0.0	0.0	(4.3)	(7.4)	(0.1)	0.9
Bloomberg US Corporate HY	8.5	1.0	0.0	7.1	7.2	1.8	3.3	4.5
Bloomberg US Aggregate	5.0	1.0	0.0	1.4	(1.2)	(4.4)	0.5	1.5
Bloomberg Municipals	--	0.4	0.0	1.6	1.7	(1.3)	1.5	2.8
Bloomberg IG Credit	5.6	1.1	0.0	2.8	0.9	(4.2)	1.4	2.6
Bloomberg EM Bonds	7.6	0.7	0.0	3.3	4.0	(3.9)	1.0	2.8

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	83.6	5.8	(1.1)	4.2	(6.6)	25.2	3.7	(2.5)
Gold ($/Troy Oz)	1965.9	1.0	(0.2)	7.6	13.9	(0.2)	10.3	3.5
Bloomberg Commodity Index	106.0	1.1	0.0	(6.0)	(12.8)	13.1	4.8	(2.1)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	103.6	(0.3)	0.0	0.1	(4.7)	4.0	1.7	2.4
Euro	1.1	0.1	0.0	1.7	7.9	(3.2)	(1.4)	(1.9)
British Pound	1.3	0.2	0.0	5.3	8.9	(1.8)	(0.5)	(2.0)
Japanese Yen	145.6	0.0	0.0	(9.4)	(4.8)	(10.0)	(5.3)	(3.9)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	686.2	2.5	0.0	15.2	14.5	7.7	8.0	9.1
MSCI EAFE	2109.2	1.8	0.0	11.3	18.6	6.6	4.6	5.4
MSCI Europe ex UK	2360.7	1.5	0.0	14.7	26.0	7.4	6.2	6.5
MSCI Japan	3523.0	2.0	0.0	13.8	15.8	4.3	3.5	5.8
MSCI EM	980.3	(0.2)	0.0	4.9	1.7	(1.0)	1.4	3.4
MSCI Asia ex JP	622.3	0.3	0.0	2.6	(0.2)	(2.6)	1.1	4.7
MSCI LATAM	2359.7	(1.7)	0.0	16.0	19.0	14.5	4.7	1.7
Canada S&P/TSX Composite	14998.8	2.6	0.0	4.7	5.0	7.1	4.5	4.8

**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.

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.

FHFA HOME PRICE INDEX | The FHFA House Price Index (FHFA HPI®) is a comprehensive collection of publicly available house price indexes that measure changes in single-family home values based on data that extend back to the mid-1970s from all 50 states and over 400 American cities.

PENDING HOME SALES INDEX | The Pending Home Sales Index (PHSI) is an index created by the National Association of Realtors (NAR) that tracks home sales where a contract is signed, but the transaction has not yet closed. The PHSI is a leading indicator of future existing home sales.

EXISTING HOME SALES INDEX | The Exiting Home Sales Index measures the transaction volume of existing single-family homes, condos, and co-ops. Existing homes, unlike new homes, are homes that are owned and occupied before coming onto the market.

DATA SOURCE | FactSet, Bloomberg as of 8/31/2023

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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