# THOUGHTS OF THE WEEK

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# WEEKLY HEADINGS

Happy National 401(k) Day! Did you even know there was a day dedicated to celebrating saving for retirement? Well now you do! And that's a good thing because it is a very important topic—one that needs to stay top of mind for everyone. When you step back and think about it, it is hard to believe that this hugely important retirement benefit has only been around for just over forty years. More important, the legislation that created tax-deferred retirement plans (and some stellar market returns) has allowed US households to accumulate significant retirement nest eggs. In fact, at the end of 2022, employer-sponsored retirement plans had amassed nearly $9 trillion in assets according to the Investment Company Institute's Fact Book. That surely is something worth celebrating! And while market volatility over the last few years may have shaken some participants' confidence, there are four important investing concepts to remember when it comes to planning for your future.

**Key Takeaways**

Start Saving For Your Retirement Early

Staying The Course Will Lead To Better Outcomes

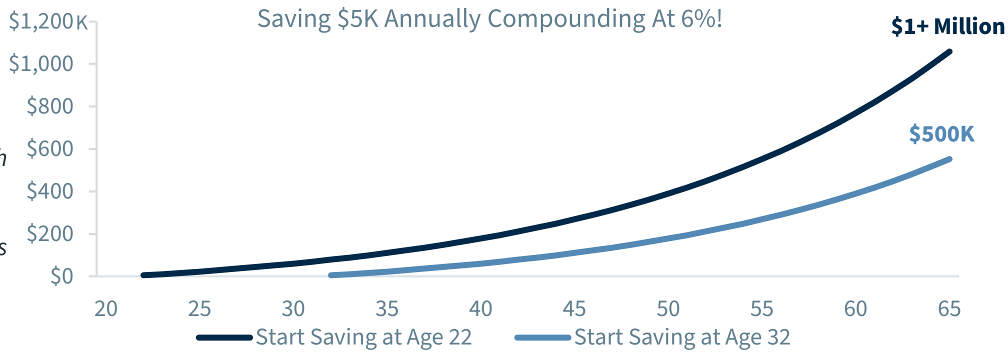
Be Mindful Of Age-Appropriate Asset Allocations

- **Start Building Your Nest Egg Early |** I can't emphasize this enough, the sooner you start saving for retirement, the more time you have to accumulate wealth. Sure, it's easy in this inflationary environment to worry that you may not have enough funds to make ends meet. But, even if you start small and then gradually increase your contributions over time, your nest egg in the future will likely be greater. Why? Well, for all my fellow math geeks—it's the power of compounding! The more time your money has to grow, the higher the potential it will be bigger in the future. For example: A 22-year old who starts saving $5,000 a year and earns 6% annually on his/her investments would have accumulated over $1 million by the time he/she is 65. That's nearly double what one would earn if they started saving at age 32. It's math, not magic! And trust me, you will start to feel better about the prospects of your retirement lifestyle when you implement this practice.
- **Stay Invested |** During periods of extreme volatility, it's natural to want to pull out of the market and seek shelter in the safety of cash. And let's face it, the market has endured two significant bear markets over the last fifteen years that surely tested the most stalwart investors. But having an emotional reaction during these heightened periods of stress often does more harm than good. Timing the market is notoriously difficult. For example, over the last twenty years, the average price return of the S&P 500 is 7.6%. But, if you tried to time the market and missed just the ten best performance days (which are usually clustered around the worst performance days), your return drops to 3.5%. And, if you missed the twenty best days in the market, your return would have been a paltry 0.9%!* As you can see, staying the course is a much better strategy that tends to lead to a better retirement outcome. At a minimum, assuming you are buying systematically throughout the year, when the market is down, you are opportunistically buying your additional investments at a better price!
- **Follow Age-Appropriate Allocations |** Having the proper asset allocation that matches your risk tolerance and time horizon is essential. While the financial media often discusses asset allocation in terms of the traditional 60% stocks/40% bonds portfolio mix, investors should always take their age into consideration (among other things) when deciding the appropriate asset allocation mix. Those who are starting out early and have multiple decades to retirement generally have more tolerance for risk and therefore should be more heavily weighted to growth assets, such as equities, as they typically provide larger returns for investors over long-term periods. But, as investors get closer to retirement, it is generally prudent to dial back portfolio risk and have a greater allocation to conservative investments, like bonds. To be sure, last year's market rout was painful for investors—regardless of their age or asset allocation mix. However, for investors who stayed the course with their strategy, the silver lining is that equities have rebounded strongly this year out of bear market territory, and despite the historic drawdown in bonds last year, they are now providing a healthy income stream again for the first time in over a decade.
- **Take Advantage Of The Tax-Deferred Benefit |** Tax deferral is a powerful financial tool that can help investors compound their wealth overtime. Setting aside part of your income in a retirement plan will not only lower your current tax obligation, it will also help save on taxes over the long run. Why? Because 401(k) investments are able to grow tax-free! First, because you don't pay taxes on your initial contributions, you get the full benefit of your contribution from the start. Second, you do not pay taxes on interest or dividends received or capital gains incurred as long as your investments remain in your retirement plan. The reduced tax burden enhances compounding! And when you withdraw funds at retirement, you will pay taxes—hopefully at a lower rate!

## CHART OF THE WEEK

**The Math And Magic Of Compound Interest!**

*A hypothetical example of two investors saving for retirement. Both save $5k annually, earn a 6% return annually and stop saving at age 65. One starts at age 22, the other starts ten years later at 32. The result: the investor who started early had nearly twice as much at retirement!*




*See Charts of the week on page 3.



RAYMOND JAMES

## ECONOMY

- Despite a slightly larger trade deficit in July (from -$64 to -$65 billion), the falling deficit trend has remained intact.* This moderation follows last year's spike of ~$102.5b when US firms ramped up purchases to restock COVID-reopening induced, depleted inventories.
- Making up the majority of economic activity, the services sector expanded again in August with the ISM Services PMI recording 54.5. This sector continues to defy the Federal Reserve's (Fed) efforts to slow the economy enough to bring down inflation.*
- **Focus of the Week:** Inflation, inflation, inflation. First, and most importantly, the Consumer Price Index (CPI) will be released on Wednesday, and we are expecting higher energy costs to push the pace of headline inflation higher, from 3.3% to ~3.6% year-over-year. Similarly, the Producer Price Index coming out on Thursday is expected to follow suit and print a faster pace of price inflation. On Friday, however, we are expecting price disinflation in the Import/Export Price Indices report. We will also closely monitor 'inflation expectations' in Friday's Michigan Sentiment report for any signs of inflation-induced consumer worries. Turning away from inflation, retail sales on Thursday will be important, as we will look for potential signs of weakness in the still-resilient US consumer.

### September 11 – September 15

| | | | | | |
|---|---|---|---|---|---|
| MON | | WED | CPI | FRI | Import/Export Price Index<br>Industrial Production<br>Michigan Sentiment |
| TUE | NFIB Small Business Index | THU | PPI<br>Retail Sales<br>ECB Meeting | FUTURE EVENTS | 9/18 NAHB Housing Market Index<br>9/20 FOMC Announcement<br>9/21 Jobless Claims, Leading Indicators0 |

## US EQUITY

- As we mentioned last week, September is usually the weakest month of the year. While still early, the historical trend is coming to fruition thus far with all sectors excluding Energy posting negative MTD returns led by Technology (-2.3%) as China announced plans to ban use of Apple products for government employees while higher oil prices has supported a 2.5% MTD gain for the Energy sector.*
- Coming into the year we were bullish on the Energy sector as supply constraints led us to our ~ $85 price target on oil. In addition to favorable commodity pricing YTD, the sector is transitioning to lower capex, higher return of capital business models. We highlight the Energy sector boasts the highest free cash flow yield (9.7%) in the market while the sector valuation of 12.3x forward earnings estimates is the lowest of all sectors creating a compelling risk/reward dynamic for value and income focused investors.* We maintain our positive view on the sector going forward.
- **Focus of the Week**: Markets will be focused on CPI & PPI releases on Wednesday and Thursday respectively to gauge the progress in the Fed's fight against inflation. In addition to economic data, we highlight Apple's iPhone 15 showcase event on Tuesday to potentially offset China related headwinds for Apple and the Technology sector more broadly.

## FIXED INCOME

- Supply dynamics continue to whip around the Treasury market. Treasury yields were modestly higher as a wave of new corporate issuance makes its way into the market. The uptick in corporate issuance is notable given there has been a dearth of supply over the last few years as corporations took advantage of low interest rates during the pandemic to extend their debt obligations. This is likely to be one of the busiest Septembers on record—with dealers anticipating nearly $120 billion of new investment grade issuance this month. This comes on top of additional Treasury issuance (3-, 10- and 30-year tenors), which is expected next week.
- While economic data has continued to be more upbeat, the Fed's Beige Book was far less optimistic suggesting that the consumer is starting to come under pressure for all the reasons we have been talking about (i.e., depleted savings, rising loan balances, higher delinquencies). And just when the market's hopes for a soft, non-recessionary landing have become consensus, the word "recession" showed up fifteen times in the latest report—a sharp uptick from just three mentions in the prior report.
- **Focus of the Week:** Next week brings a slew of important economic data that the Fed will closely monitor before the next FOMC meeting later this month. Also of interest, the ECB will announce its decision next Thursday, and, following nine successive policy rate increases, markets are expecting policymakers to leave rates unchanged, but an additional hike is still expected later this year.

## POLITICS

- US-China relations may be tested this month with the next stage in US tech export control rules nearing finalization following recent diplomatic dialogues. The view from Washington is that these rules should be in line with expectations. From a higher-level perspective, we continue to see ample incentive for both the US and China to maintain the current trajectory of 'communication without compromise' which generally sets a floor under economic/political relations and reduces uncertainty for markets. However, the trajectory of China's economic weakness should be watched as the biggest risk going forward which could see China double down and escalate against the US in an attempt to cast blame away from China's government. Along these lines, the upcoming G20 summit raises a degree of uncertainty as to the geopolitical landscape. Xi's unexpected withdrawal—his first since assuming power—can signal potential volatility ahead related to China's internal stability or external relations. While some unexpected geopolitical volatility may emerge in the weeks ahead, we continue to view the November APEC Summit and the expected meetings between Biden and Xi as part of the gathering as a near-term release valve for any spike in tensions which should provide a degree of stability for markets.

## ENERGY

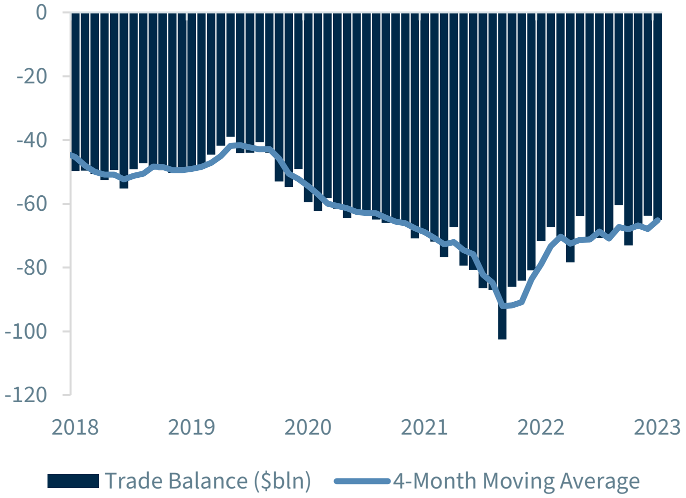
- Amid weak economic data from China, Germany, and elsewhere, why did oil prices this week reach the highest levels since November 2022?* The answer is on the supply side of the equation: strong production discipline on the part of the OPEC+ group. Having extended their pledged production cuts longer than originally expected, Saudi Arabia and Russia are signaling that they intend to prop up oil prices, thereby compensating for the uncertain demand backdrop. OPEC+ cannot play this game forever—eventually, it risks losing market share to other producers (including the US)—but, for the foreseeable future, this will likely keep oil prices higher. Needless to say, this is inflationary and therefore not good news from the perspective of central bankers in the world's major economies—whereas oil-exporting countries outside OPEC+, such as Canada, Kazakhstan, and Norway, are benefiting.

 *See Charts of the week on page 3.

## Charts of the Week

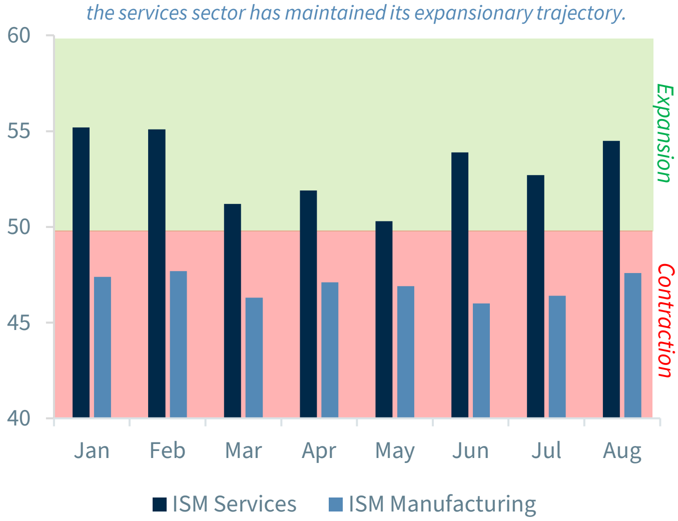
### Trade Balance Moderating

*Despite a slight uptick in July, the trade balance deficit continues to trend lower.*



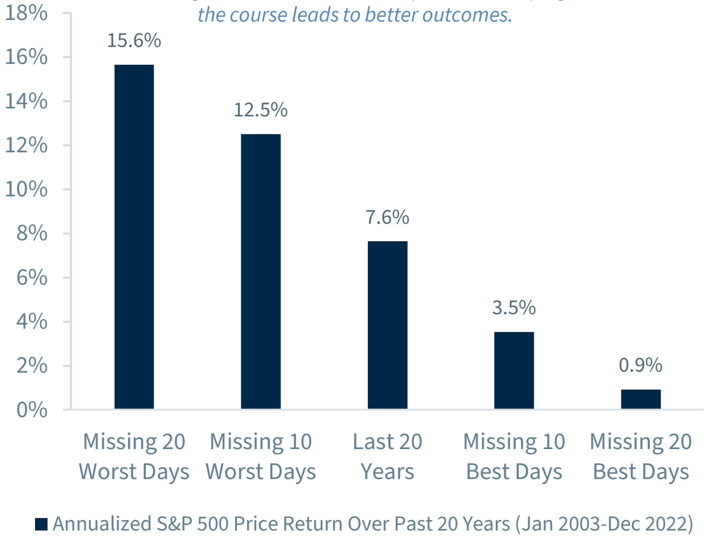

### Hotter-Than-Expected Services Sector

*This year, the manufacturing sector has continued to contract, whereas the services sector has maintained its expansionary trajectory.*



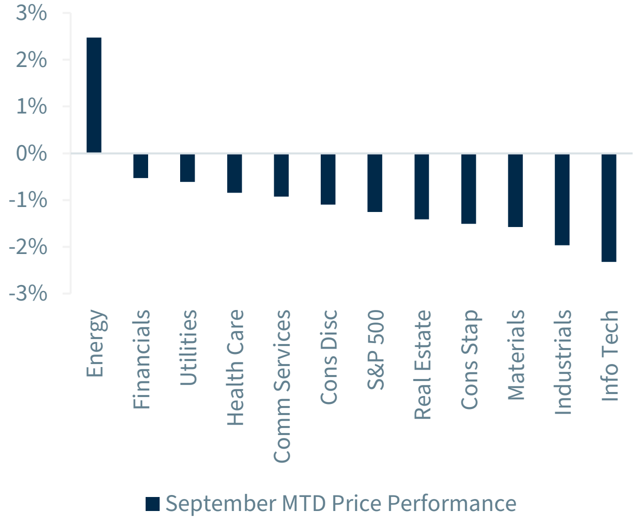

### Missing The Best And Worst Days

*Timing the market is notoriously difficult. Staying the course leads to better outcomes.*



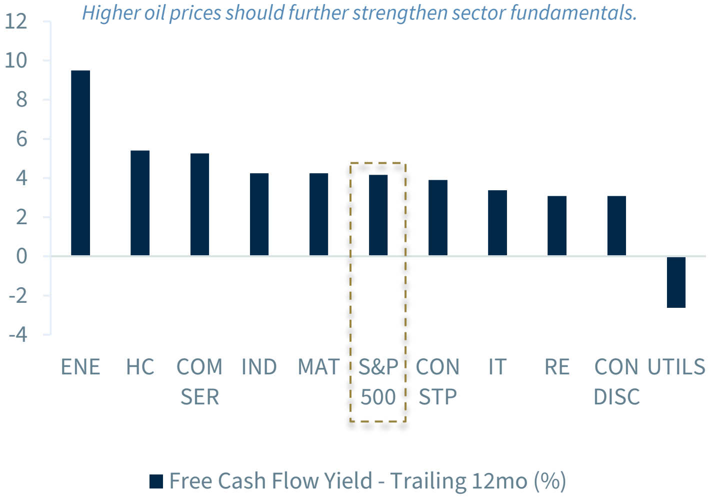

### 10 Out Of 11 Sectors Negative MTD

*All sectors but Energy are negative so far this month, with the Technology sector (-2.3%) falling the most.*



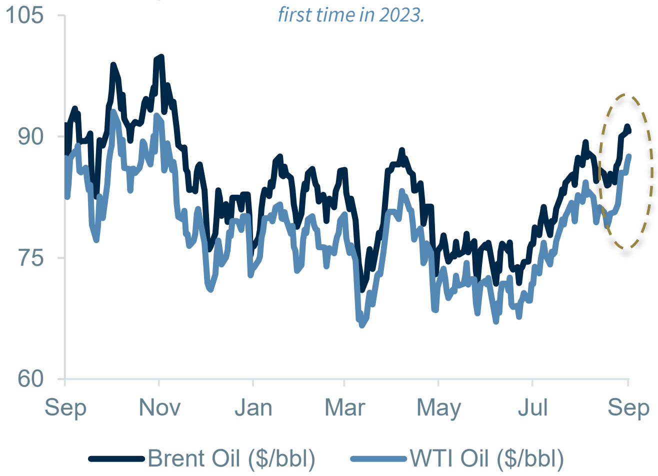

### Energy Leads the Market in Free Cash Flow Yield

*Energy has a significantly higher FCF yield than all other sectors. Higher oil prices should further strengthen sector fundamentals.*




### Oil Reaches 10-Month High

*Russia and Saudi Arabia's extension of production cuts through 2023 sent the price of Brent oil above $90 for the first time in 2023.*



## Asset Class Performance | Distribution by Asset Class and Style (as of September 7)**

### Weekly Returns (as of September 7)

**US Equities (Russell indices)**

| | Value | Blend | Growth |
|---|---|---|---|
| Large Cap | -1.0% | -1.2% | -1.3% |
| Mid Cap | -1.7% | -1.5% | -0.9% |
| Small Cap | -2.4% | -2.3% | -2.1% |

**International Equities (MSCI indices)**

| | Dev. Mkt | World | Emerg. Mkt |
|---|---|---|---|
| Large Cap | -0.2% | -0.8% | 0.0% |
| Mid Cap | -0.2% | -0.9% | -0.2% |
| Small Cap | -0.6% | -1.3% | 0.5% |

**Fixed Income (Bloomberg indices)**

| | 1-3 YR | Medium | Long |
|---|---|---|---|
| Treasury | 0.1% | -0.6% | -1.3% |
| Invest. Grade | -0.1% | -0.5% | -1.0% |
| High Yield | -0.1% | -0.4% | -0.6% |

### Year-to-Date Returns (as of September 7)

**US Equities (Russell indices)**

| | Value | Blend | Growth |
|---|---|---|---|
| Large Cap | 4.8% | 17.2% | 30.4% |
| Mid Cap | 4.1% | 7.8% | 14.5% |
| Small Cap | 2.4% | 6.5% | 10.3% |

**International Equities (MSCI indices)**

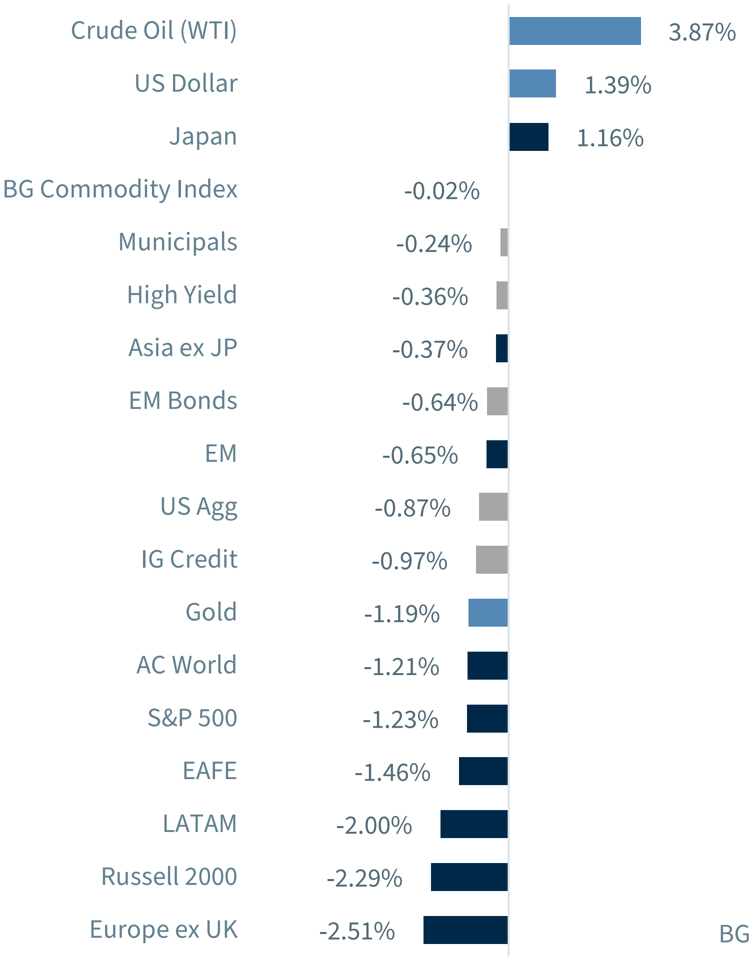
| | Dev. Mkt | World | Emerg. Mkt |
|---|---|---|---|
| Large Cap | 12.1% | 15.8% | 5.5% |
| Mid Cap | 12.4% | 8.7% | 9.4% |
| Small Cap | 9.3% | 9.8% | 19.3% |

**Fixed Income (Bloomberg indices)**

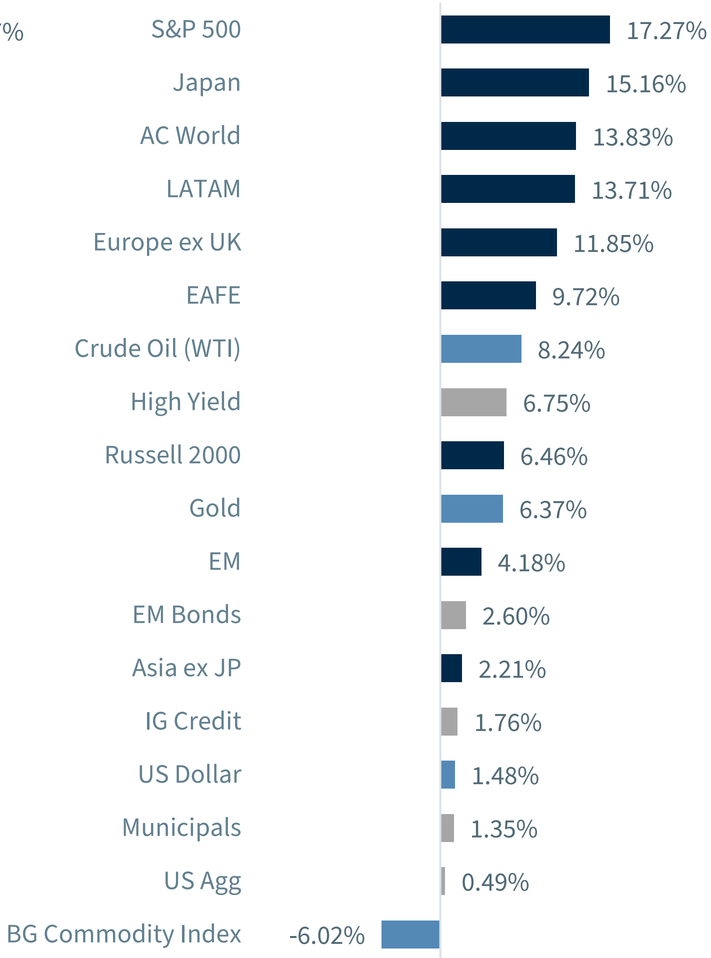
| | 1-3 YR | Medium | Long |
|---|---|---|---|
| Treasury | 3.4% | 0.1% | -1.2% |
| Invest. Grade | 2.2% | 2.2% | 1.9% |
| High Yield | 7.3% | 6.8% | 5.8% |

## Asset Class Performance | Weekly and Year-to-Date (as of September 7)**

### Weekly***




### Year-to-Date***




■ Commodities ■ Equities ■ Fixed Income

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

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

# Weekly Data**

Data as of September 7

### US Equities

| Index | Price | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| S&P 500 | 4451.1 | (1.2) | (1.2) | 17.3 | 13.8 | 10.8 | 11.1 | 12.5 |
| DJ Industrial Average | 34500.7 | (0.6) | (0.6) | 4.1 | 9.2 | 7.0 | 5.9 | 8.7 |
| NASDAQ Composite Index | 13748.8 | (2.0) | (2.0) | 31.4 | 16.6 | 6.7 | 11.7 | 14.1 |
| Russell 1000 | 4690.2 | (1.2) | (1.2) | 17.2 | 15.4 | 9.9 | 10.8 | 12.6 |
| Russell 2000 | 4612.0 | (2.3) | (2.3) | 6.5 | 4.7 | 8.1 | 3.1 | 8.0 |
| Russell Midcap | 7388.4 | (1.5) | (1.5) | 7.8 | 8.4 | 9.2 | 7.3 | 10.0 |

### Equity Sectors

| Sector | Price | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| Materials | 512.6 | (1.4) | (1.4) | 6.2 | 9.6 | 10.3 | 9.0 | 9.4 |
| Industrials | 894.9 | (1.9) | (1.9) | 9.0 | 15.2 | 12.7 | 8.5 | 10.9 |
| Comm Services | 227.6 | (0.9) | (0.9) | 43.8 | 24.7 | 4.6 | 9.3 | 7.6 |
| Utilities | 315.8 | (0.6) | (0.6) | (9.8) | (16.3) | 5.0 | 6.4 | 9.1 |
| Consumer Discretionary | 1330.0 | (1.1) | (1.1) | 33.3 | 7.1 | 3.7 | 8.8 | 12.5 |
| Consumer Staples | 752.5 | (1.5) | (1.5) | (1.7) | 1.4 | 6.7 | 9.2 | 9.3 |
| Health Care | 1536.2 | (0.8) | (0.8) | (2.0) | 5.7 | 9.5 | 9.4 | 12.1 |
| Information Technology | 3048.6 | (2.3) | (2.3) | 41.3 | 31.4 | 14.7 | 20.2 | 21.1 |
| Energy | 694.3 | 2.5 | 2.5 | 5.9 | 21.2 | 44.7 | 10.0 | 5.1 |
| Financials | 567.7 | (0.5) | (0.5) | 1.0 | 4.5 | 12.8 | 6.2 | 10.1 |
| Real Estate | 229.8 | (0.6) | (0.6) | 1.1 | (10.3) | 3.9 | 5.5 | 8.0 |

### 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 | 3.4 | 4.4 | 1.6 | 1.7 | 1.1 |
| 2-Year Treasury (%) | 5.0 | (0.1) | (0.1) | 1.1 | 0.3 | (1.2) | 0.8 | 0.6 |
| 10-Year Treasury (%) | 4.3 | (1.3) | (1.3) | (1.2) | (4.8) | (7.7) | (0.2) | 1.0 |
| Bloomberg US Corporate HY | 8.6 | (0.4) | (0.4) | 6.7 | 6.8 | 1.7 | 3.3 | 4.4 |
| Bloomberg US Aggregate | 5.1 | (0.9) | (0.9) | 0.5 | (1.5) | (4.7) | 0.4 | 1.5 |
| Bloomberg Municipals | -- | (0.2) | (0.2) | 1.3 | 2.4 | (1.4) | 1.5 | 2.8 |
| Bloomberg IG Credit | 5.8 | (1.0) | (1.0) | 1.8 | 0.8 | (4.5) | 1.3 | 2.6 |
| Bloomberg EM Bonds | 7.7 | (0.6) | (0.6) | 2.6 | 4.0 | (4.2) | 0.9 | 2.8 |

### Commodities

| Index | Price | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| WTI Crude ($/bl) | 86.9 | 3.9 | 3.9 | 8.2 | 6.0 | 29.7 | 5.1 | (2.4) |
| Gold ($/Troy Oz) | 1942.5 | (1.2) | (1.2) | 6.4 | 12.4 | 0.1 | 10.1 | 3.4 |
| Bloomberg Commodity Index | 106.0 | (0.0) | (0.0) | (6.0) | (8.4) | 13.6 | 5.1 | (2.1) |

### Currencies

| Currency | Price | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| US Dollar Index | 105.1 | 1.4 | 1.4 | 1.5 | (4.4) | 4.2 | 2.0 | 2.5 |
| Euro | 1.1 | (1.4) | (1.4) | 0.3 | 7.6 | (3.3) | (1.6) | (2.0) |
| British Pound | 1.2 | (1.5) | (1.5) | 3.7 | 8.8 | (1.8) | (0.7) | (2.2) |
| Japanese Yen | 147.1 | (1.0) | (1.0) | (10.3) | (1.8) | (10.3) | (5.5) | (3.9) |

### International Equities

| Index | Price | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| MSCI AC World | 677.7 | (1.2) | (1.2) | 13.8 | 14.1 | 8.0 | 8.1 | 8.8 |
| MSCI EAFE | 2077.2 | (1.5) | (1.5) | 9.7 | 20.6 | 6.8 | 4.9 | 5.0 |
| MSCI Europe ex UK | 2301.3 | (2.5) | (2.5) | 11.9 | 24.9 | 7.2 | 6.2 | 6.0 |
| MSCI Japan | 3564.0 | 1.2 | 1.2 | 15.2 | 25.1 | 4.8 | 4.4 | 5.6 |
| MSCI EM | 973.6 | (0.7) | (0.7) | 4.2 | 5.0 | (1.2) | 1.9 | 3.0 |
| MSCI Asia ex JP | 619.8 | (0.4) | (0.4) | 2.2 | 3.7 | (2.6) | 1.7 | 4.4 |
| MSCI LATAM | 2312.1 | (2.0) | (2.0) | 13.7 | 16.3 | 12.3 | 4.3 | 1.0 |
| Canada S&P/TSX Composite | 14729.4 | (0.8) | (0.8) | 3.9 | 4.6 | 7.5 | 4.6 | 4.6 |

**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.

IMPORT/EXPORT PRICE INDICES | The Import/Export Price Indices measure changes in the prices of nonmilitary goods and services traded between the US and the rest of the world.

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.

NAHB HOUSING MARKET INDEX | The NAHB/Wells Fargo Housing Market Index (HMI) is a monthly sentiment survey of members of the National Association of Home Builders (NAHB). The index measures sentiment among builders of U.S. single-family homes and is a widely watched gauge of the U.S. housing sector.

MICHIGAN CONSUMER SENTIMENT INDEX | The Michigan Consumer Sentiment Index is a monthly survey of how consumers feel about the economy, personal finances, business conditions, and buying conditions.

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DATA SOURCE | FactSet, Bloomberg as of 9/7/2023

## 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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