OCTOBER 11, 2024

WEEKLY HEADINGS

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Happy Anniversary! This weekend marks the second anniversary of the bull market. Since hitting the October 12, 2022, low, the S&P 500 has climbed 65.9%! By historical standards, there is still plenty of room for the current bull market to run as the average duration of a bull market typically exceeds five years. And the most prominent reason for further upside: sustained corporate earnings growth. With earnings growth the key driver of stock returns over the long term, our positive outlook for the economy (our economist expects a soft landing) and earnings growth (we expect ~10% 2025 S&P 500 earnings growth) suggest the bull market should remain intact. And that is why we remain laser-focused on earnings trends, micro insights from companies and the macro fundamentals. With the start of 3Q earnings season just beginning (the big banks reported today with solid results), below are five things to keep an eye on during this earnings season:

KEY TAKEAWAYS

S&P 500 To Post Fifth Straight Quarter Of Positive EPS Growth

Mega-Cap Tech To Be A Bright Spot Yet Again

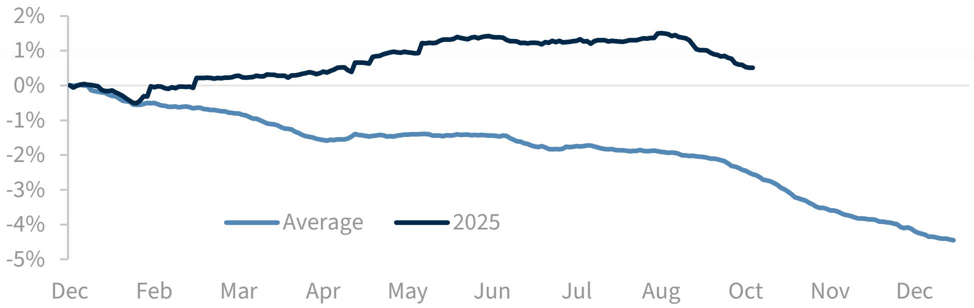
2025 EPS Estimates Likely To Be Revised Lower

- **Thoughts On A Positive Earnings Season |** 3Q S&P 500 earnings are on pace to rise ~4% YoY—the 5th consecutive quarter of positive EPS growth. While this is a sharp deceleration from the ~12% YoY pace in 2Q, earnings growth is likely to improve to closer to 10% if the typical pattern of earnings 'beats' drive estimates higher. Over the last ten years, earnings growth has been revised higher by 4-5%, on average, during earnings season. With the bar lowered heading into 3Q (S&P 500 earnings have been revised down ~4% since 6/30), investors will be focused on the magnitude of beats as valuations (S&P 500 LTM P/E 24x) are near their highest level (ex-COVID) since 2001. From a sector perspective, only six of eleven sectors are expected to see positive EPS growth in Q3—led by Tech—which would be the lowest number since 1Q23. We would like to see more sectors notch positive earnings growth to further support the recent broadening in performance.
- **Consumer Dynamics: Temporary Weakness Or Longer Lasting? |** The resilient consumer has been a key driver of the economic expansion. This is not that surprising as the consumer makes up ~70% of economic growth. During 2Q, companies across a variety of industries highlighted that consumer spending slowed at the start of the third quarter (with August shaping up to be particularly weak). However, a glimpse into consumer demand (particularly the lower-end consumer) will be important for our economic outlook. While consumer spending is not collapsing, it should moderate further due to the slowing labor market, softening travel spending, and reduced savings. These trends should filter through to sector fundamentals, with the Consumer Discretionary sector ex AMZN likely to post negative earnings growth (-3%) for the first time since 4Q20. Weakening consumer dynamics is a key reason we remain underweight the Consumer Discretionary sector.
- **Tech Trends Remain On Solid Ground |** While performance broadened beyond mega-cap tech in the 3Q (tech returns underperformed the S&P 500 by the widest margin since 2Q16), Tech sector fundamentals (mega-cap tech in particular) remained solid. Case in point: while all 11 S&P 500 sectors saw downward revisions to their 3Q estimates since the start of the 3rd quarter, a composite of mega-cap tech or MAGMAN* saw its 3Q estimates revised 2% higher. MAGMAN's earnings growth (3Q24: +19% YoY) is expected to outpace the rest of the market for the 7th consecutive quarter and every quarter through 2025. CEOs across a variety of different industries should provide a status update on both the AI build out and how industries outside of tech are utilizing AI within their business. Continued investment in AI, solid earnings growth, robust margins, and shareholder-friendly activities (e.g., increasing dividends and buybacks) keep us overweight the Tech sector.
- **Small Cap EPS Growth To Turn Positive? |** Small-cap equities are on pace to lag large caps on a total return basis for the 4th straight year (YTD: +10% vs. +23%). While positive economic growth, attractive valuations, and the Fed's easing cycle should lend support to small caps, there is another tailwind on the horizon—positive earnings growth. For the first time since 3Q22, small-cap equities are expected to post positive EPS growth (+1% YoY)—ending the longest streak of quarterly earnings declines (7 quarters) in at least 20 years. To put that into perspective, the current negative earnings streak surpasses both the Great Financial Crisis (2007) and COVID-related declines. Forward guidance will be critical. While full-year earnings have been revised down 10% YTD, small cap's EPS growth (4Q24 EPS: +16% YoY) is on track to outpace large cap's in 4Q for the first time in two years. Accelerating earnings growth is a key reason we remain optimistic on small caps.
- **2025 Earnings in Focus |** S&P 500 2025 EPS estimates have been remarkably resilient YTD. Up until now, that is. Since the start of the year, the 2025 consensus EPS estimates have been revised up 0.5% vs the average decline of ~3%. However, 3Q is traditionally the quarter analysts/management teams focus their guidance on the following year, which is why downward revisions to next year's EPS estimates should move lower through year end. With economic growth expected to slow in 2025 (from +2.6% to +2.0%), consensus estimates for 2025 EPS (~$275) are likely too lofty relative to our estimate of $265 and should be revised lower over the coming weeks. Downward earnings estimates, combined with continued uncertainty surrounding the election and geopolitics could lead to an uptick in near-term volatility.

CHART OF THE WEEK

Resilient 2025 EPS Estimates YTD, but Likely to Move Lower

2025 EPS estimates have been resilient year-to-date. However, estimates typically begin to get ratcheted lower at this juncture as analysts/management teams start to turn attention to the following year. We expect downward revisions will begin to accelerate.



Full-Year FY1 S&P 500 EPS Revision Relative to Start of the Year

*Source: FactSet, *MAGMAN – MSFT, AAPL, GOOGL, META, AMZN, NVDA*

Economy

- Both the headline CPI and core CPI increased by a more than expected 0.2% and 0.3% MoM, respectively, in September. According to the report, shelter and food price increases accounted for 75% of the overall increase in the headline number.
- The Producer Price Index remained unchanged in September (0.0% MoM) due to a large decline in energy prices that offset an increase in the rest of the sectors of the index. On a year-earlier basis, the PPI increased by a more than expected 1.8%.
- **Focus of the Week:** Next week is a slower week. Our main focus will be on the retail sales report on Thursday to gauge consumer strength (expected MoM growth: 0.45%), as well as the NAHB Housing Market Index on Thursday and building permits & housing starts on Friday.

October 14 – October 18

MON

TUE Empire State Index

WED Import/Export Price Indices

THU Retail Sales
Industrial Production
NAHB Housing Market Index

FRI Housing Starts
Building Permits

FUTURE EVENTS
10/21 Leading Economic Index
10/23 Existing Home Sales
10/24 New Home Sales

Equity

- Today marks the 'unofficial' start to the 3Q24 earnings season following the big banks reporting strong results this morning. In aggregate, S&P 500 EPS growth is expected to decelerate from 12% Y/Y in 2Q24 to only 4% in 3Q24 driven by a 120 bp contraction in sales growth and a 30 bp contraction in net margins Q/Q. However, the deceleration is primarily a factor of a sharp decline in oil prices throughout the quarter rather than economic weakness. Excluding the Energy sector, S&P 500 EPS growth would be 7% Y/Y in 3Q24.
- From a sector perspective, fundamentals continue to be driven by secular growth themes within Technology and Communication Services which have been insulated from a challenging macro backdrop. In fact, Technology is the only sector expected to have double digit Y/Y revenue growth in 3Q24 as AI investment has proved resilient through normalizing economic activity.
- **Focus of the Week:** With the Fed recently beginning its rate cutting cycle, we'll be focused on Discover's earnings results and management commentary on Thursday to gauge the initial reaction from consumers—particularly in the low-income cohort which has been an area of weakness over the last 12 months.

Fixed Income

- Treasury yields moved higher across the curve as better than expected economic data led to a repricing of Fed expectations. Rising inflation and escalating tensions in the Middle East (and increasing oil prices) have cast some doubt on a November rate cut, with the market now reflecting an 85% chance of a 25 bp cut, and the probability of a 50 bp cut has been fully erased. Nearly 50 bps of rate cuts have also been priced out of the terminal rate, which is now hovering at 3.3%. This pushed the 2-year Treasury yield briefly above 4.0% and the 10-year to 4.08%—up sharply since the Fed kicked off its easing cycle in September. The yields on the US Aggregate Bond and Investment Grade Credit Indices are also back above 4.5% and ~5%, respectively—yields that we believe are compelling again. However, despite elevated volatility, IG credit spreads have narrowed to 82 bps—a three-year low.
- The read-out from the September FOMC meeting minutes revealed that members were split between kicking off the cycle with a 50 or 25 bps move while Fed Governor Bowman cast the lone dissenting vote. Almost all FOMC members agreed upside risks to inflation have diminished, while downside risks to employment have increased. However, September's stronger than expected employment report may have put that concern to rest. While further Fed rate cuts are expected, policymakers prefer a gradual and predictable move toward policy normalization. While all policymakers agree that the Fed's monetary policy stance is restrictive, a gradual approach to rate cuts should give Fed officials time to assess the degree of restrictiveness.
- **Focus of the Week:** With a holiday-shortened and light economic news week, technicals will drive the bond market next week. After crossing the 50-day moving average, the market has the 10-year Treasury's 200-day moving average in sight (4.17%). The ECB meeting on Thursday will also be closely watched and we are expecting policymakers to cut rates by 25 bps—their 3rd rate cut this year.

Politics

- With less than a month until Election Day, the race for the White House continues to be a tie, and polling in the seven key battleground states remains within the margin of error. We continue to see a strengthened position for Democrats in the House and have accordingly shifted our odds for House control to 60% Democratic and 40% Republican—both reflecting the down-ballot boost that momentum behind Harris has provided to House Democrats while recognizing that the race overall remains close. In the race for the Senate, Republicans continue to hold a strong advantage (70% probability)—especially in the light of recent polling and fundraising data from Montana and Ohio. Our increased probability of a mixed government lowers the odds of ambitious policy pushes in either direction passing into law. The very close state of the race elevates potential headline risk and volatility around an uncertain outcome, and we continue to view a clear win by either candidate as the best near-term outcome from a market perspective.

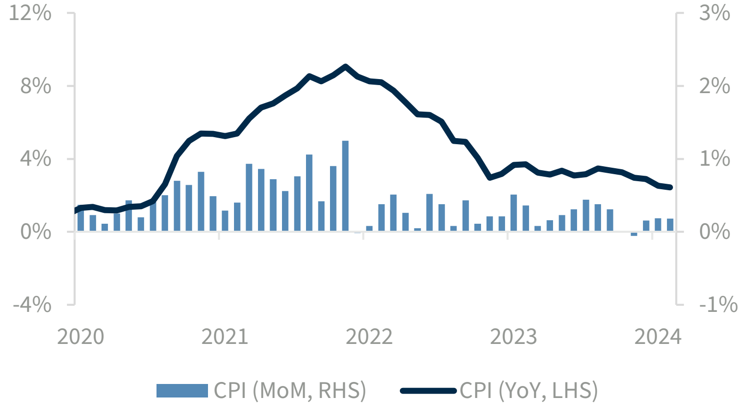
Security

- It has been ten days since Iran launched a missile strike against Israel, and Israel has yet to retaliate. However, the Israeli defense minister said this Wednesday that the retaliation will be "deadly, precise, and above all surprising." Among the question marks is whether Israel will try to target Iranian oil infrastructure. If so, a wide range of impacts are possible. For example, targeting Iranian oil refineries would cause fuel shortages, thereby damaging the Iranian economy, but there would be relatively little effect on the global oil market. Targeting oil export terminals on the Iranian coast would directly diminish Iran's ability to export oil, thereby raising oil prices around the world. Until this issue reaches its conclusion, there will remain a heightened geopolitical risk premium in oil prices.

Charts of the Week

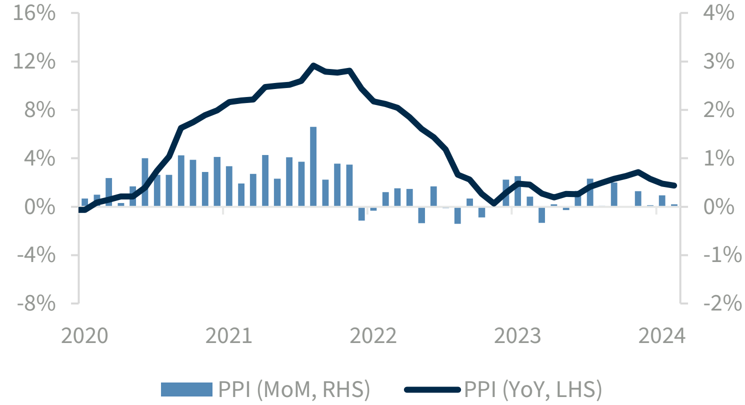
Inflation: Consumer Prices

Headline CPI increased by a more than expected 0.2% MoM, bringing the YoY rate down to 2.4%.



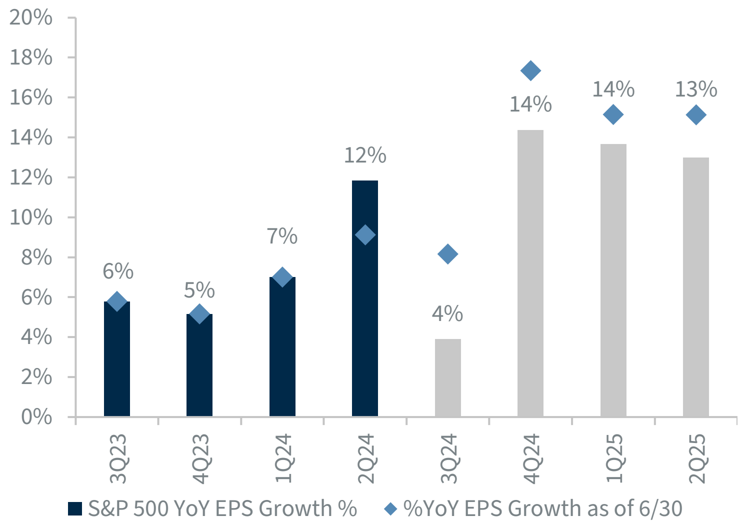
Inflation: Producer Prices

The Producer Price Index remained unchanged in September (0.0% MoM) but increased by a more than expected 1.8% YoY.



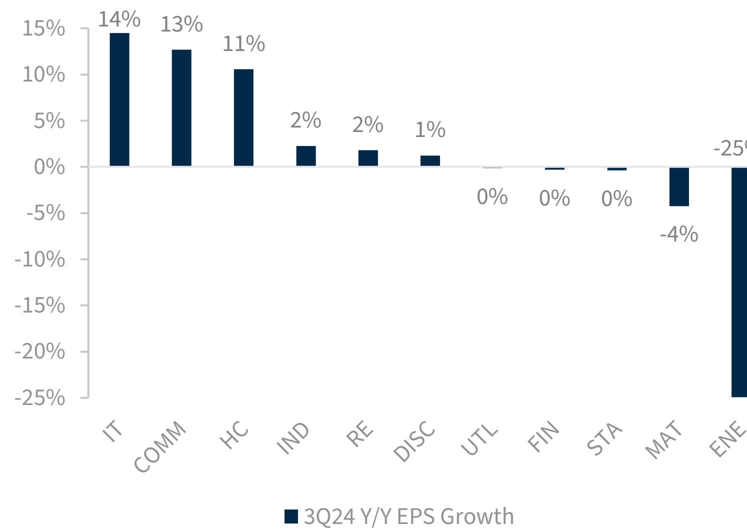
Lower Bar to Beat in 3Q24

S&P 500 EPS growth is expected to decelerate to 4% Y/Y in 3Q24 vs. 12% in 2Q24.



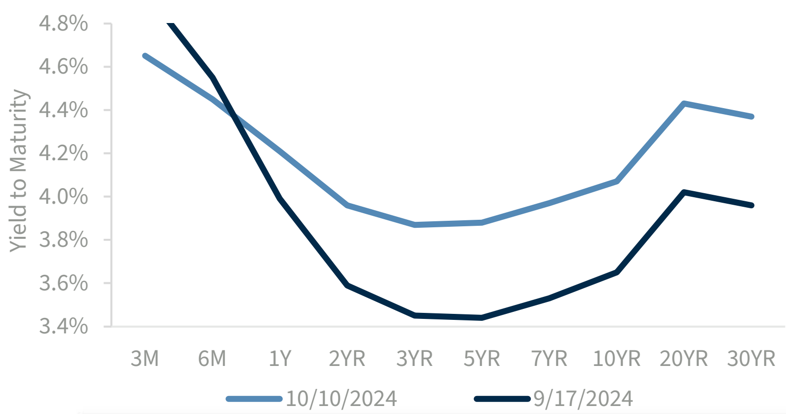
EPS Growth Remains Top Heavy

Despite broadening performance, EPS growth remains concentrated in secular growth themes.



The Treasury Curve Shifts Higher

A repricing of Fed expectations amid better than expected economic data has pushed yields higher since the Fed's 50 bps cut.



Corporate Credit Spread Reaches 3-Year Low

Despite higher volatility, investment grade credit spreads continued to tighten and reached their lowest level since September 2021.

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

Weekly Returns (as of October 10)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	0.5%	1.4%	2.3%
Mid Cap	0.1%	0.6%	2.2%
Small Cap	0.1%	0.4%	0.7%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	0.6%	1.2%	-0.8%
Mid Cap	0.1%	0.3%	-0.4%
Small Cap	0.1%	0.3%	-0.6%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	0.1%	-1.1%	-1.7%
Invest. Grade	-0.3%	-0.7%	-1.1%
High Yield	-0.1%	-0.4%	-0.5%

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

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	16.3%	21.6%	25.8%
Mid Cap	13.8%	14.1%	14.9%
Small Cap	6.7%	9.1%	11.6%

International Equities (MSCI indices)

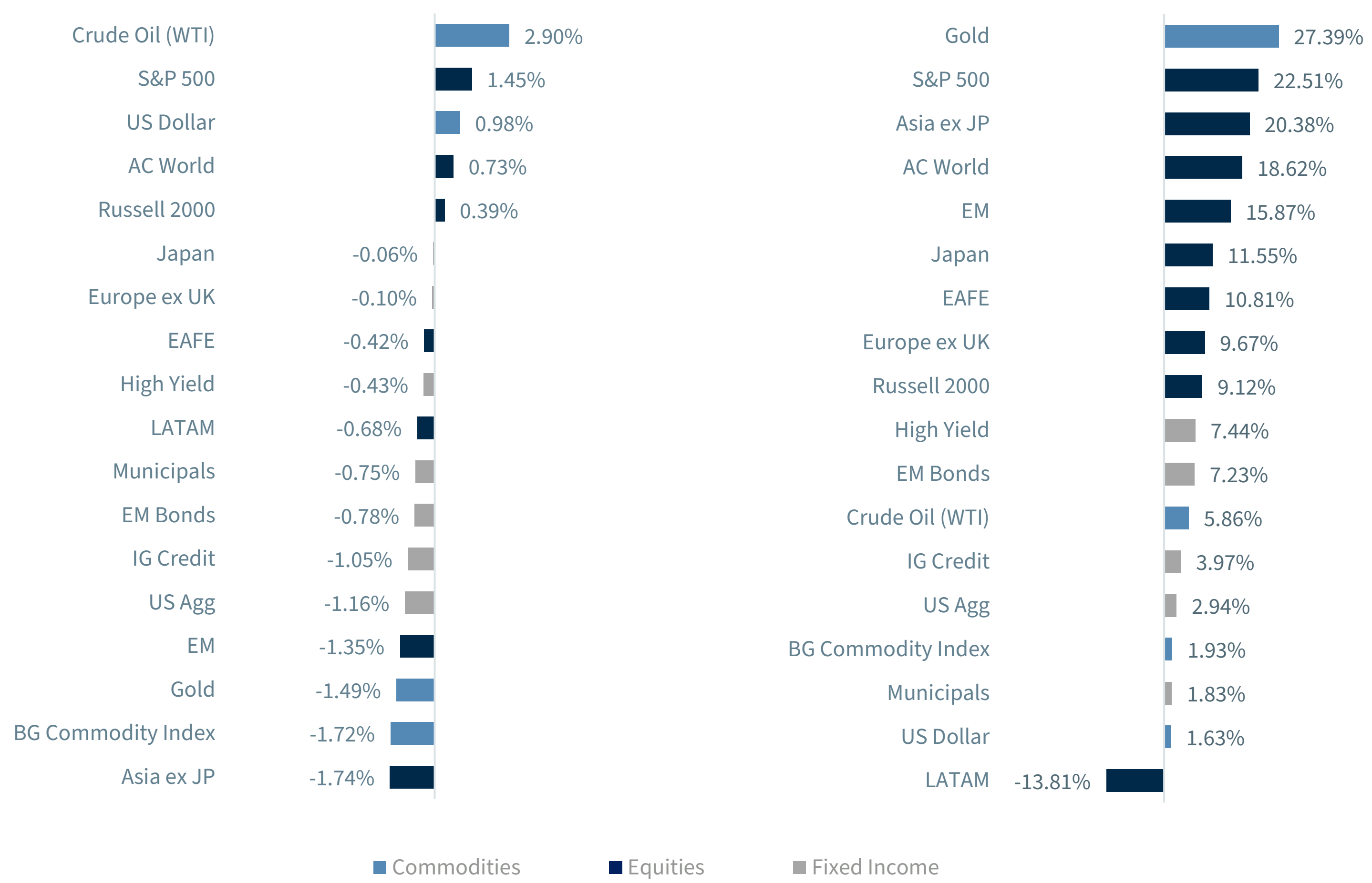
	Dev. Mkt	World	Emerg. Mkt
Large Cap	13.2%	20.7%	20.5%
Mid Cap	10.8%	13.5%	11.9%
Small Cap	10.4%	10.9%	13.9%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	4.2%	2.5%	1.4%
Invest. Grade	4.6%	4.8%	4.6%
High Yield	8.1%	7.5%	6.4%

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

Weekly* Year-to-Date*****



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

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

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Weekly Data**

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	5780.1	1.4	0.4	22.5	34.6	11.3	16.3	13.8
DJ Industrial Average	42454.1	1.1	0.3	12.6	25.8	6.9	9.9	9.9
NASDAQ Composite Index	18282.0	2.0	0.5	21.8	34.8	7.8	18.1	15.6
Russell 1000	6064.9	1.4	0.4	21.6	35.7	10.8	15.6	13.1
Russell 2000	5438.8	0.4	(1.8)	9.1	26.8	1.8	9.4	8.8
Russell Midcap	9005.9	0.6	(0.4)	14.1	29.3	5.8	11.3	10.2

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	601.1	0.7	(1.0)	12.9	23.3	7.8	13.5	9.7
Industrials	1149.7	1.0	0.3	20.6	34.2	12.3	14.5	12.4
Comm Services	312.4	(0.8)	(0.6)	28.1	36.1	5.6	14.5	9.9
Utilities	398.8	(3.6)	(2.8)	27.0	38.7	10.1	7.6	9.9
Consumer Discretionary	1583.0	1.2	(1.4)	12.3	25.0	3.8	12.1	13.3
Consumer Staples	871.4	0.1	(1.8)	16.6	25.6	9.1	9.8	9.3
Health Care	1781.8	0.8	(0.8)	13.5	18.6	8.1	13.4	11.2
Information Technology	4491.9	3.6	2.0	32.9	50.4	20.0	27.3	23.3
Energy	710.7	0.0	5.1	13.8	8.2	22.8	15.8	5.3
Financials	758.6	1.6	0.7	22.7	39.4	7.4	13.1	11.8
Real Estate	269.3	(1.9)	(3.9)	10.4	31.2	2.3	5.4	8.2

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	4.6	0.1	0.1	4.2	5.5	3.6	2.3	1.6
2-Year Treasury (%)	4.0	(0.4)	(0.5)	3.5	5.7	0.8	1.1	1.1
10-Year Treasury (%)	4.1	(1.7)	(2.2)	1.4	8.9	(3.9)	(1.8)	0.6
Bloomberg US Corporate HY	7.4	(0.4)	(0.5)	7.4	15.7	3.0	4.7	5.0
Bloomberg US Aggregate	4.5	(1.2)	(1.4)	2.9	10.3	(1.7)	0.0	1.6
Bloomberg Municipals	--	(0.8)	(0.5)	1.8	9.8	(0.0)	1.2	2.4
Bloomberg IG Credit	4.9	(1.0)	(1.3)	4.0	13.3	(1.3)	0.9	2.7
Bloomberg EM Bonds	6.4	(0.8)	(0.9)	7.2	17.1	(0.2)	1.1	3.1

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	75.9	2.9	11.3	5.9	(11.8)	(1.5)	7.2	(1.2)
Gold ($/Troy Oz)	2639.3	(1.5)	(0.8)	27.4	40.7	14.5	12.0	8.0
Bloomberg Commodity Index	100.5	(1.7)	0.2	1.9	(3.0)	(0.7)	5.2	(1.6)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	103.0	1.0	2.2	1.6	(2.7)	3.1	0.9	1.8
Euro	1.1	(0.9)	(2.1)	(1.1)	3.1	(1.9)	(0.2)	(1.4)
British Pound	1.3	(0.4)	(2.7)	2.4	6.5	(1.5)	1.2	(2.0)
Japanese Yen	148.7	(1.3)	(3.8)	(5.2)	0.1	(9.0)	(6.2)	(3.2)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	848.2	0.7	(0.4)	18.6	30.5	8.0	12.9	10.3
MSCI EAFE	2409.4	(0.4)	(2.4)	10.8	22.0	5.3	8.5	6.5
MSCI Europe ex UK	2682.2	(0.1)	(2.8)	9.7	22.5	5.5	9.7	7.5
MSCI Japan	4041.5	(0.1)	(1.0)	11.6	20.9	4.1	7.4	7.1
MSCI EM	1157.0	(1.4)	(1.2)	15.9	26.1	0.3	6.0	4.4
MSCI Asia ex JP	755.2	(1.7)	(0.9)	20.4	28.8	0.6	6.8	5.7
MSCI LATAM	2195.4	(0.7)	(1.8)	(13.8)	4.1	7.2	2.2	0.8
Canada S&P/TSX Composite	17667.3	1.4	1.3	16.0	24.6	6.0	8.2	5.5

**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.

COMMODITIES | Investing in commodities such as copper is generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

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.

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.

CONSUMER PRICE INDEX | The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX | The PCE price index, released each month in the Personal Income and Outlays report, reflects changes in the prices of goods and services purchased by consumers in the United States.

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

NAHB HOUSING MARKET INDEX | The National Association of Home Builders (NAHB) Housing Market Index (HMI) rates the relative level of current and future single-family home sales. The data is compiled from a survey of around 900 home builders. A reading above 50 indicates a favorable outlook on home sales; below indicates a negative outlook.

IMPORT/EXPORT PRICE INDICES | The US import and export price indexes (MXP) measure the change in prices of goods and services purchased from abroad by US consumers and businesses.

EMPIRE STATE MANUFACTURING INDEX | The Empire State Manufacturing Index (ESMI) is a monthly survey that measures the level of manufacturing activity in New York State

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 SERVICES INDEX | The Institute of Supply Management (ISM) Non-Manufacturing Index is an economic index based on surveys of more than 400 non-manufacturing (or services) firms' purchasing and supply executives.

Disclosures

DATA SOURCE | FactSet, Bloomberg as of 10/10/2024

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.

Disclosures

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.

FHFA HOME PRICE INDEX | The FHFA House Price Index (FHFA HPI) is a collection of publicly available house price indexes that measure changes in single-family home values.

S&P/CASE-SHILLER HOME PRICE INDEX | The S&P CoreLogic Case-Shiller Home Price Indices are the leading indicators of U.S. residential real estate prices, tracking changes in the value of residential real estate nationally.

INTERNAL 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

Disclosures

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 E

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

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