May 10, 2024

THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Key Takeaways

Mega-Cap Tech Continues To Drive S&P 500's Earnings

Shareholder-Friendly Activity Is Back!

Consumers Are Becoming More Discerning

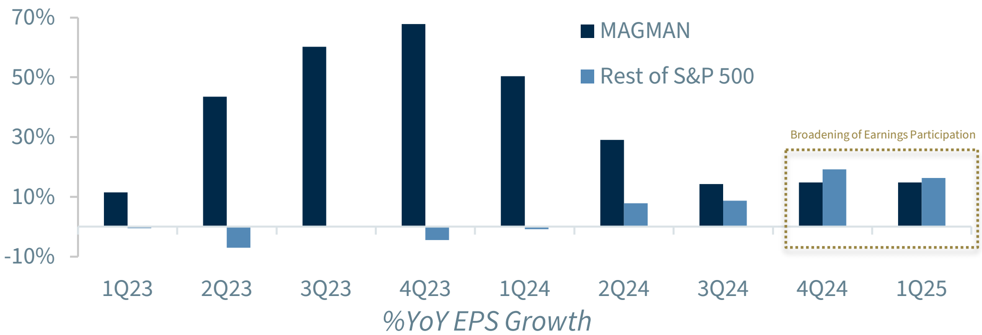
Happy National Small Business Day! Every year on May 10, small businesses are officially recognized for their contributions to the US economy. And rightfully so. Small businesses are the backbone of the US economy. Today, there are over 33 million small businesses operating across the US. Small businesses employ over 61 million employees—nearly half of the entire American workforce. And a record-breaking 5.5 million new business applications were filed in 2023. Truly impressive! Just as small businesses are a key barometer for the nation's economic health, large public companies drive the trends in earnings. That is why we pay so much attention to earnings season. With 1Q24 earnings season largely compete with over 88% of the S&P 500's market cap having already reported, here are our five biggest takeaways:

1. **Mega-Cap Tech Continues To Drive Earnings |** Despite elevated valuations, mega-cap tech earnings remain a bright spot, driving the bulk of the S&P 500's earnings. In fact, the composite of MAGMAN's earnings (i.e., Microsoft, Apple, Google, Meta, Amazon, and NVIDIA) we track is on pace to climb over 50% YoY. Compare that to the other 494 stocks in the S&P 500, which have roughly flat earnings growth YoY. More important, this is the fifth consecutive quarter that MAGMAN's earnings have outpaced the rest of the Index. In addition, MAGMAN has had greater top-line sales growth (over 5x higher), stronger net margins (~2.5x greater) and bigger earnings beats (~12% versus 8%) than the rest of the Index. Our composite of mega-cap tech (i.e., MAGMAN) has strongly outperformed the overall market, (50.9% versus 25.4% over the last 12 months), with their outperformance supported by strong fundamentals and superior earnings results.
2. **Business Capex Spending Is On The Rise |** Early gains in the bull market in late 2022 and 2023 were driven by businesses being rewarded for pivoting to contain costs (i.e., tech layoffs, restructurings) amid an uncertain economic environment. Nearly 1.5 years later, businesses are pivoting again—shifting from cost containment to investing in growth areas (like AI and cloud computing) to support their businesses. This is contributing to CEOs becoming more optimistic about the state of the economy. In fact, the Conference Board's CEO Confidence survey moved back into expansionary territory (a level above 50) in Q1 for the first time in two years! Some of the biggest beneficiaries of the increased capex spend are tech-related, Communication Services and select areas of Consumer Discretionary stocks. Let's not forget Industrials (one of our favored sectors), which continue to reap the benefits from all the fiscal spending via the CHIPS, IRA and IIJA legislation in recent years.
3. **Buybacks Are Back! |** With many S&P 500 companies still flush with cash on their balance sheet—to the tune of $2 trillion—management teams are re-focusing on delivering shareholder value. This is evident in dividend growth, which is running at an 8% YoY pace in 2024—above last year's 5+% pace and the 10-year average of 6.6%. In addition, companies thus far have announced over $180B in stock buybacks in 1Q—yet another sign of improved confidence. In fact, stock buybacks have remained above their 10-year average for 13 consecutive quarters. A continuation of this trend should serve as another tailwind for stocks. Case in point: Meta and Alphabet authorized their first-ever dividend this quarter, and additional repurchases of stock. Apple announced a $110 billion dollar buyback—its biggest in the company's (and market's) history! We think this trend will continue.
4. **Consumers Are Becoming More Discerning |** Despite ongoing concerns of consumer fatigue, a big takeaway this earnings season is that consumers, in aggregate, remain healthy and resilient. This was highlighted by some bank and credit card companies, which reported that loan loss reserves (the amount set aside to cover uncollectible debts) remain stable and even decelerated last quarter and delinquency rates remain well below historical averages. Yes, there are signs that consumers are starting to prioritize their spending (i.e., travel remains favored over goods-related areas) and lower-income consumers are feeling the pinch from higher prices (e.g., restaurant, beverage companies), but this is forcing companies to compete on delivering value to capture the discretionary spend. Those who execute well are being rewarded.
5. **Earnings Growth Is On A Solid Uptrend |** Earnings growth has remained positive for three consecutive quarters, with 1Q24 on pace for a 6+% YoY gain. The healthy macro backdrop and optimistic comments about the resilient consumer and business spending suggests forward looking earnings should remain on an uptrend in the coming quarters. In fact, consensus estimates reflect double digit EPS gains in two of the next three quarters, with 2025 earnings estimates around ~$275/share—a 13+% gain YoY. More important, earnings growth is expected to broaden, with the other 494 stocks in the S&P 500 catching up and even outpacing MAGMAN's earnings later this year. These solid earnings trends, plus optimistic management commentary, leave us confident in our $240 year-end S&P 500 EPS target.

CHART OF THE WEEK

S&P 500 Earnings Growth Should Broaden Out This Year

MAGMAN's earnings have driven the S&P 500's performance over the last year. However, the improving macro backdrop should benefit the rest of the Index, with the other 494 stocks expected to gradually improve in the coming quarters.



ECONOMY

- The inventory-to-sales ratio (+1.35) for wholesalers was slightly higher MoM, but lower YoY. This slight YoY decline and recent stability in the ratio shows that US wholesalers are managing their inventories well, and they don't appear as a risk to economic activity.
- The increase in seasonally adjusted initial jobless claims during the week ending May 4 (+231k) was the largest weekly increase since August of 2023.* We will continue to follow this indicator in the weeks to come to see if this is the start of a new trend or just a blip.
- The Michigan Consumer Sentiment Index was much lower than expected, at 67.4 compared to expectations for a 76.9 print. The 10-point decline saw the Index reach its lowest level in six months. Meanwhile, Inflation expectations increased (1-yr: 3.5%, 5-yr: 3.1%).
- **Focus of the Week:** Next week is inflation week, starting with the Producer Price Index (PPI) on Tuesday, the Consumer Price Index (CPI) on Wednesday, and the Import/Export Price Indices on Thursday. We expect the MoM growth in the all-important CPI to print 0.35% MoM, bringing the YoY growth rate down from 3.5% to 3.3%. Meanwhile, PPI is expected to hold steady at 2.1% YoY.

May 13 – May 17

MON	
TUE	NFIB Small Business Index PPI
WED	CPI Retail Sales NAHB Housing Market Index
THU	Import/Export Price Indices Housing Starts/Building Permits Industrial/Manufacturing Production
FRI	Leading Economic Index
FUTURE EVENTS	5/22 Existing Home Sales 5/23 ISM Manufacturing/Services 5/24 Durable Orders

EQUITY

- Equities have applauded resilient economic data thus far YTD as the odds of a recession have declined significantly. However, we've observed a stark change in how equities have been responding to economic data recently driven by a few consecutive hotter than expected inflation prints. Weaker data (employment, ISMs, confidence) last week followed by a favorable move lower in bond yields drove the S&P 500 back above the 50D moving average. So, is it 'bad news is good news' again? We believe the answer is yes but only temporarily. Our view is that disinflation will continue in the months ahead and the focus for equities will again shift from inflation/rates back to economic growth and the impact to corporate fundamentals.*
- Utilities have outperformed the S&P 500 by 9% QTD after benefitting from a technical golden cross (where the 50DMA crosses above the 200DMA).* The sector is the latest AI beneficiary with investors hoping to capitalize on expectations for increased power demand from datacenters in the years ahead. In the months ahead, markets will be very focused on how much Utilities will need to invest to support increased demand while also evaluating expected returns on those investments. For example, Utilities had the highest capex ($151B) of all sectors in 2023 with the second lowest return on assets (2%).
- **Focus of the Week:** Next week marks the 'unofficial' end to the 1Q24 earnings season with earnings results from major retailers (HD, WMT). Normalization of consumer spending has been a theme we've been highlighting throughout earnings season within restaurants specifically. Markets will be focused on management commentary to determine if consumer softness remains isolated to certain cohorts or if consumer weakness has broadened QoQ.

FIXED INCOME

- Bond yields continued to retrace from YTD highs as investors further digested a dovish FOMC and weaker than expected economic data, with the 10-year yield down to 4.46%—a one-month low. A slew of Fed officials got behind the mic this week, echoing Powell's comments that policymakers will need more confidence that inflation is sustainably returning toward their 2% target before they begin cutting rates. Susan Collins (Boston Fed) indicated it may take longer to reach their goal and further progress will likely require slower economic growth. The Treasury Department issued $125B in 3-, 10-, and 30-year paper to mixed reactions. The 3- and 30-year issues met with strong demand. However, demand was a tad softer for the 10-year, although nothing to be overly concerned about.
- Companies are taking advantage of the strong investor demand with a surge of issuance. This week, 42 investment grade companies brought over $55B to market—the busiest three-day period since early September 2021.* The high yield market has also seen a flood of issuance—the highest amount of bond sales since the week ending October 1, 2021. To date, the market impact from the cascade of issuance has been limited, with corporate spreads (both investment grade and high yield) near their tightest levels in 3 years.
- **Focus of the Week:** Next Wednesday's CPI and retail sales releases provide more data for digestion with the potential to move the 10-year Treasury yield out of its current range. We'll also hear from a slew of Fed officials, including Mester, Harker, Powell and others, where we expect them to preach patience as it relates to bringing inflation back toward two percent.

POLITICS

- This week the Congressional Budget Office (CBO) increased estimates of the cost to extend the 2017 Tax Cuts and Jobs Act (TCJA) tax cuts from $1.1T to $4.6T over 10 years. The higher estimate comes as attention on the US fiscal situation grows and the January 2025 expiration of the current debt limit deal approaches. We continue to expect a reelected President Trump would push for an extension of the TCJA's individual provisions, but separate comments this week from House Ways and Means Comm. Chair Jason Smith suggesting that certain Republicans would like to raise the current 21% corporate tax raises questions about funding. A second Biden term would likely see portions of the TCJA expire—with the new cost estimates this week likely providing additional incentives.

ENERGY

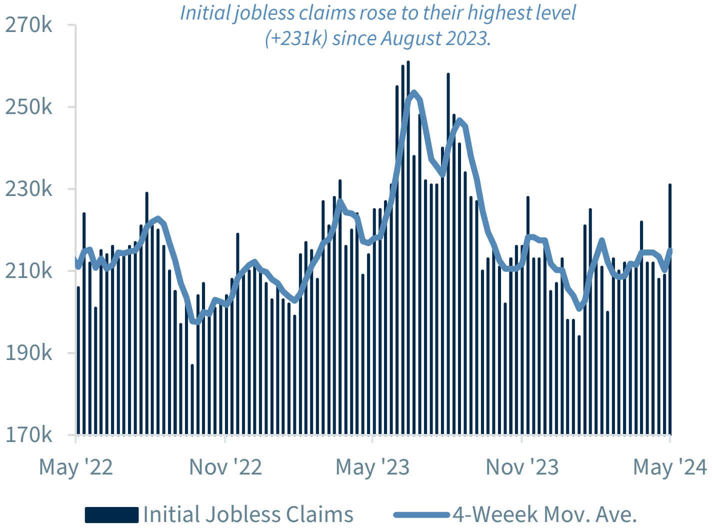
- Recent oil price movements are a textbook example of how the geopolitical risk premium in the oil market can ebb and flow, solely based on day-to-day headlines. Back in April it briefly looked like Israel and Iran were on the cusp of all-out war, but both sides decided to take an off-ramp. Fundamentally, nothing with oil supply and demand has changed, but the lessened risk premium translates into lower prices.* Oddly enough, Russia's war in Ukraine is more directly relevant to oil prices than Iran/Israel. Ukraine has become skilled at using drones to attack Russian oil refineries which is having an impact on Russia's ability to produce and export fuels. The next OPEC meeting is June 1 and it's expected that there will be an extension of production cuts on June 1. If it does not happen, that would be surprising and certainly would push down prices.

*See Charts of the week on page 3.

Charts of the Week

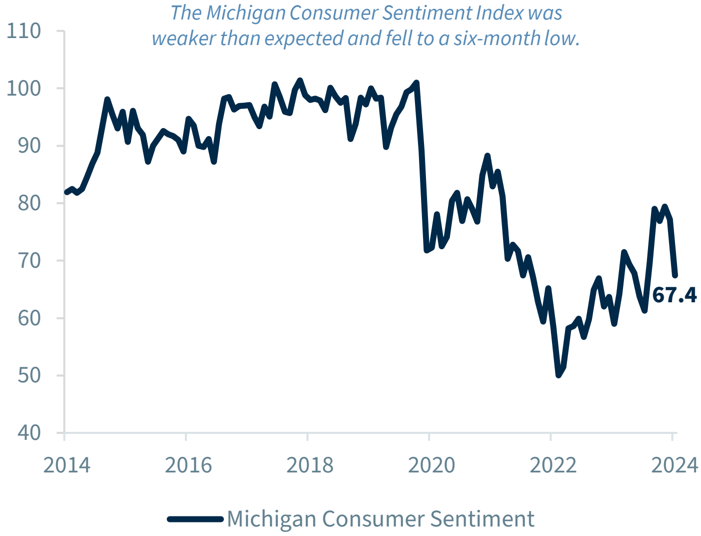
Initial Jobless Claims Surge

Initial jobless claims rose to their highest level (+231k) since August 2023.



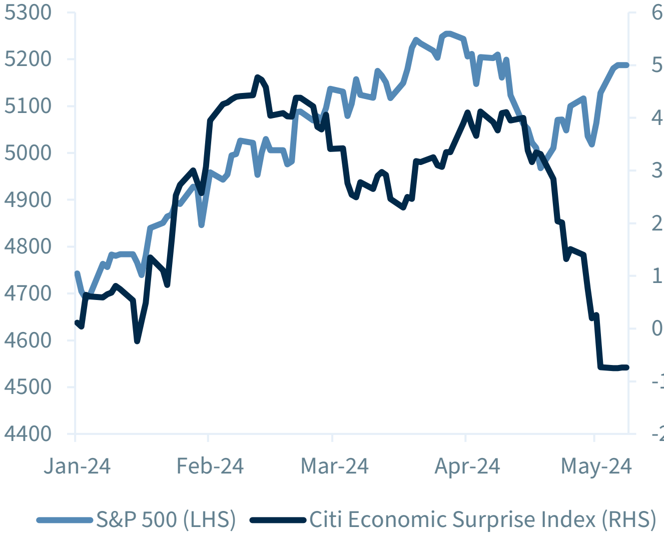
Sentiment Plunges

The Michigan Consumer Sentiment Index was weaker than expected and fell to a six-month low.



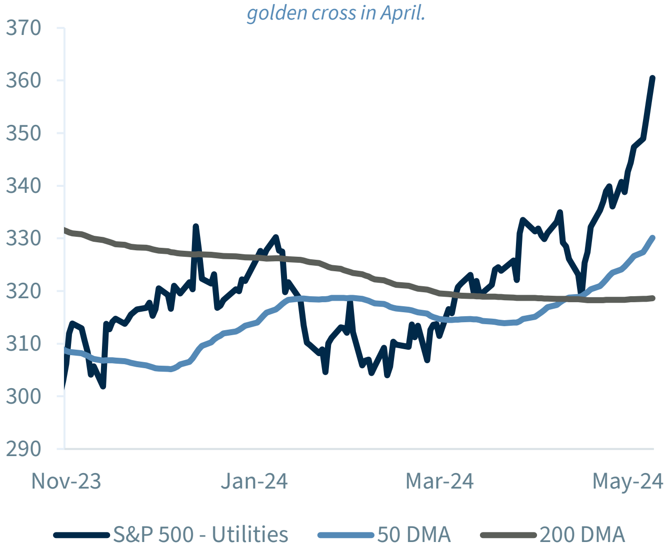
Bad News is Good News... For Now

Hotter than expected inflation prints recently have caused equities to respond positively to weaker economic data.



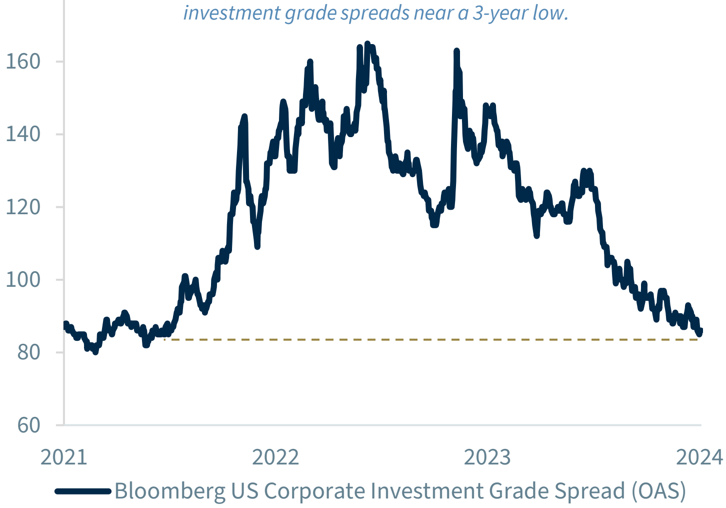
Utilities Breakout Following Golden Cross

Utilities have outperformed the S&P 500 by 10% following the golden cross in April.



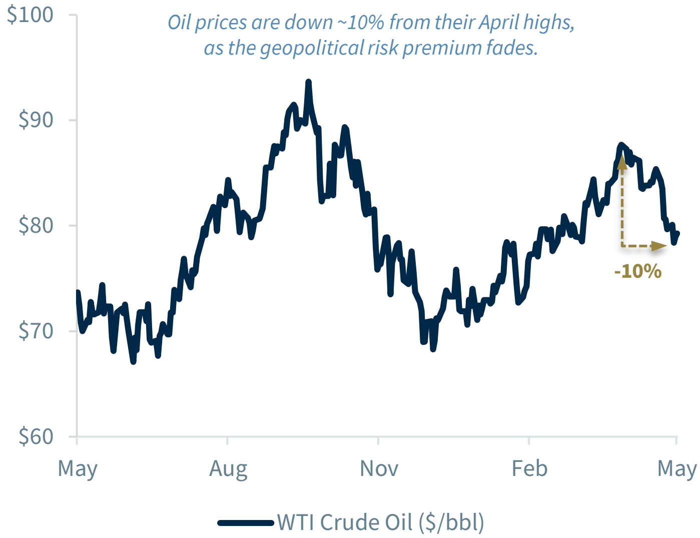
Investor Appetite For IG Issuance Remains Healthy

Strong investor demand amid the surge in issuance has kept investment grade spreads near a 3-year low.



Oil Prices Retreat

Oil prices are down ~10% from their April highs, as the geopolitical risk premium fades.



* Index definitions can be found on the disclosure pages

Asset Class Performance | Distribution by Asset Class and Style (as of May 9)**

Weekly Returns (as of May 9)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	**2.6%**	**2.9%**	**3.2%**
Mid Cap	**3.0%**	**2.6%**	**1.7%**
Small Cap	**2.8%**	**2.9%**	**3.0%**

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	**2.1%**	**2.6%**	**0.9%**
Mid Cap	**1.9%**	**2.0%**	**1.0%**
Small Cap	**2.0%**	**2.1%**	**-0.9%**

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	**0.1%**	**0.5%**	**1.0%**
Invest. Grade	**0.2%**	**0.5%**	**0.8%**
High Yield	**0.3%**	**0.5%**	**1.3%**

Year-to-Date Returns (as of May 9)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	**7.4%**	**9.4%**	**11.1%**
Mid Cap	**6.5%**	**6.2%**	**5.5%**
Small Cap	**1.7%**	**2.8%**	**3.9%**

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	**11.8%**	**10.2%**	**8.2%**
Mid Cap	**8.3%**	**6.9%**	**5.1%**
Small Cap	**8.2%**	**5.5%**	**6.4%**

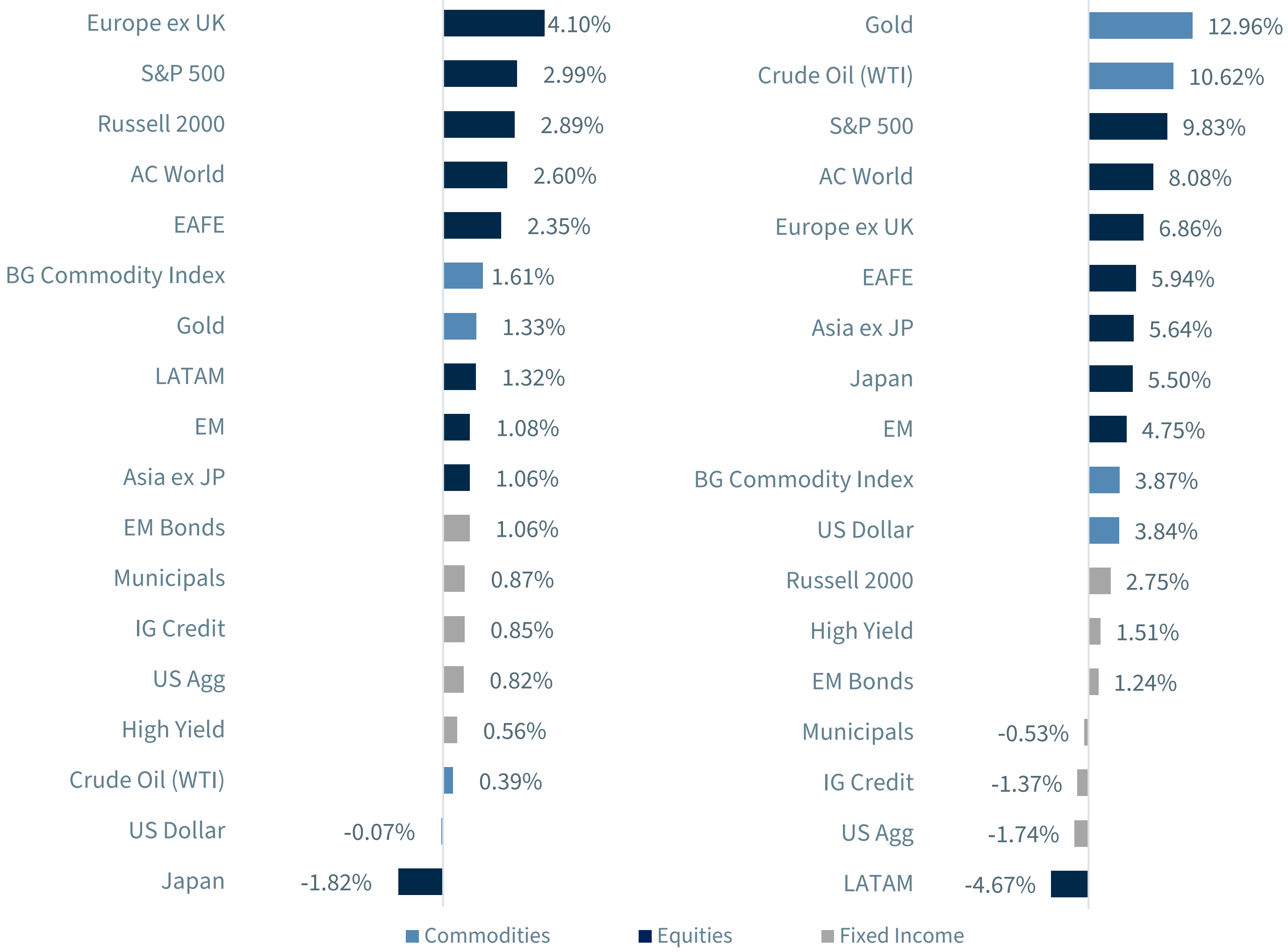
Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	**1.9%**	**-1.5%**	**-3.4%**
Invest. Grade	**1.1%**	**0.0%**	**-1.1%**
High Yield	**2.4%**	**1.5%**	**0.1%**

Asset Class Performance | Weekly and Year-to-Date (as of May 9)**

Weekly***

Year-to-Date***



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

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

Weekly Data**

Data as of May 9

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	5214.1	3.0	3.6	9.8	28.6	8.9	14.6	12.8
DJ Industrial Average	39387.8	3.0	4.2	4.5	17.4	4.2	8.8	9.0
NASDAQ Composite Index	16346.3	3.2	4.4	8.9	34.2	5.9	15.6	14.9
Russell 1000	5489.8	2.9	3.6	9.4	22.8	7.0	12.9	12.1
Russell 2000	5153.5	2.9	5.1	2.8	13.3	(3.2)	5.8	7.2
Russell Midcap	8445.2	2.6	3.4	6.2	16.4	2.4	9.1	9.4

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	577.5	3.5	3.5	7.6	19.0	3.6	13.4	9.0
Industrials	1062.0	3.0	3.3	10.6	28.6	7.8	12.6	10.9
Comm Services	292.8	3.2	5.3	19.5	51.2	5.2	13.4	9.2
Utilities	362.0	5.2	6.9	13.7	7.5	5.9	8.1	9.0
Consumer Discretionary	1464.6	1.5	3.1	3.5	28.2	1.9	10.5	12.6
Consumer Staples	823.1	2.0	2.2	8.9	5.8	7.1	10.1	9.0
Health Care	1668.6	2.0	2.1	5.5	10.1	6.7	12.1	11.4
Information Technology	3769.4	4.0	4.4	11.2	43.8	16.6	24.4	21.9
Energy	720.4	1.9	0.8	13.7	20.8	26.1	13.7	4.2
Financials	692.1	3.0	3.2	11.2	31.6	5.4	11.1	11.1
Real Estate	236.2	3.5	5.2	(4.9)	5.6	(0.5)	4.7	6.9

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	1.9	5.5	2.8	2.1	1.4
2-Year Treasury (%)	4.8	0.2	0.5	0.3	2.2	(0.3)	0.9	0.8
10-Year Treasury (%)	4.5	1.0	1.8	(3.4)	(3.8)	(5.2)	(1.2)	0.5
Bloomberg US Corporate HY	8.1	0.6	1.0	1.5	10.7	1.7	4.0	4.3
Bloomberg US Aggregate	5.1	0.8	1.6	(1.7)	0.8	(3.1)	0.1	1.3
Bloomberg Municipals	--	0.9	1.1	(0.5)	2.8	(0.8)	1.4	2.5
Bloomberg IG Credit	5.5	0.9	1.6	(1.4)	3.9	(2.7)	1.2	2.4
Bloomberg EM Bonds	7.2	1.1	1.4	1.2	8.0	(2.2)	0.9	2.7

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	79.3	0.4	(3.3)	10.6	7.5	6.9	5.1	(2.3)
Gold ($/Troy Oz)	2340.3	1.3	1.6	13.0	14.6	8.5	12.7	6.2
Bloomberg Commodity Index	102.5	1.6	0.8	3.9	(1.0)	3.0	5.5	(2.8)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	105.2	(0.1)	(0.9)	3.8	3.6	5.2	1.6	2.8
Euro	1.1	0.8	0.8	(2.4)	(1.6)	(3.9)	(0.8)	(2.4)
British Pound	1.3	0.2	(0.1)	(1.8)	(0.8)	(3.6)	(0.8)	(2.9)
Japanese Yen	155.6	(1.0)	1.2	(9.4)	(13.2)	(11.3)	(6.8)	(4.2)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	779.6	2.6	3.1	8.1	22.3	5.4	11.3	9.1
MSCI EAFE	2332.0	2.3	2.5	5.9	12.4	3.4	7.9	5.1
MSCI Europe ex UK	2639.8	4.1	3.6	6.9	13.0	4.3	9.8	5.8
MSCI Japan	3864.8	(1.8)	(0.3)	5.5	16.1	2.0	7.3	6.7
MSCI EM	1063.5	1.1	1.8	4.7	11.6	(4.8)	3.6	3.4
MSCI Asia ex JP	674.0	1.1	1.8	5.6	9.4	(6.1)	3.5	4.7
MSCI LATAM	2485.8	1.3	2.8	(4.7)	16.3	7.3	4.5	1.4
Canada S&P/TSX Composite	16341.7	2.5	3.0	6.8	8.7	4.7	6.5	4.4

**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.

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.

MAGMAN | MAGMAN: Microsoft, Apple, Google, Meta, Amazon, Nvidia. The foregoing is not a recommendation to buy or sell MAGMAN stocks.

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 INDEX | The US Import and Export Price Indexes measure average changes in prices of goods and services that are imported to or exported from the United States.

LEADING ECONOMIC INDEX | The Composite Index of Leading Indicators, otherwise known as the Leading Economic Index (LEI), is an index published monthly by The Conference Board. It is used to predict the direction of global economic movements in future months. The index is composed of 10 economic components whose changes tend to precede changes in the overall economy.

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.

CONFERENCE BOARD CEO CONFIDENCE SURVEY | The Conference Board Measure of CEO Confidence™ is a reflection of the health of the US economy from the perspective of US chief executives. The Measure of CEO Confidence™ is based on CEOs' perceptions of current and expected business and industry conditions.

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.

DATA SOURCE | FactSet, Bloomberg as of 5/9/2024

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.

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.

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

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