THOUGHTS OF THE WEEK

Larry Adam, Chief Investment Officer

Follow Larry Adam on Twitter: @LarryAdamRJ Follow Larry Adam on LinkedIn: Larry Adam

WEEKLY HEADINGS

Key Takeaways

Strong Rally Suggests Muted Gains Going Forward

Elevated Valuations Suggest Market Priced to Perfection

Investor Sentiment Becoming Increasingly Optimistic

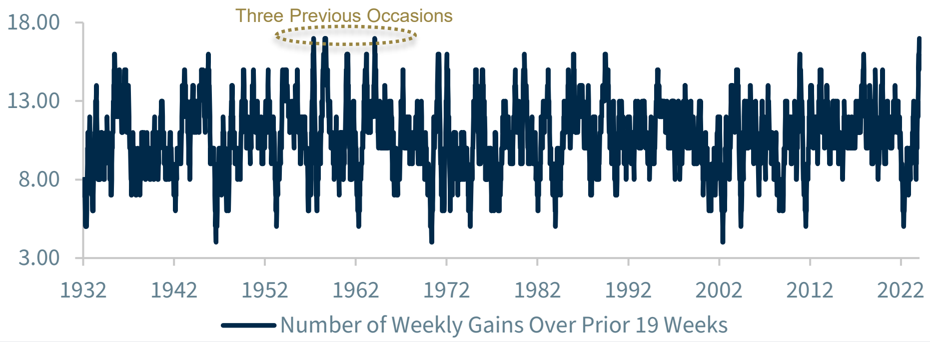
Don't forget to turn your clocks forward early Sunday morning! That's right, this weekend most of the nation (except Arizona and Hawaii) will follow the twice a year ritual of adjusting the clocks forward or backward. The second Sunday in March, when we 'spring forward,' is always bittersweet. The good news: we add an extra hour of sunlight to our days. The bad news: we lose an hour of sleep. And speaking of daylight savings time, our view on the equity market follows similar patterns—where we expect a short-term 'fall back' after the market's recent gains but remain optimistic that equities can 'spring forward' over the long term given the market's solid fundamental underpinnings. Here are reasons the equity market is vulnerable to a near-term pullback, but should move higher over the next twelve months:

- **Strong Rally Suggests Muted Forward Gains |** The move higher in the S&P 500 has been historic. In fact, the S&P 500 has climbed ~17% over the last four months and is on pace to rally 17 of the last 19 weeks.* A run of this magnitude has only occurred three other times in history and not since 1964. Historically, when a rally of this duration has taken place, it has led to more muted forward performance as the S&P 500 was flat on average in the following six months. This suggests that the market may see a period of consolidation or a pullback in the near term as it looks to digest these gains. This would be consistent with history, as the S&P 500 has seen 90 trading days without a 5% pullback, nearly 2x times the historical average. And remember, the S&P 500 typically experiences 3-4 pullbacks of 5% or more, on average, each year, so a pullback would not only be normal, but healthy for the market. While near-term caution is warranted, we would use pullbacks as opportunities to add to positioning as the bull market is still in its infancy—currently 1.4 years versus an average duration of 5.5 years.
- **Elevated Valuations Pose A Near-Term Risk |** The recent run-up in stock prices has pushed valuations to elevated levels. In fact, on a trailing twelve-month basis, the S&P 500's price-earnings ratio has climbed to 23.0x—its highest level since 2002 (ex-COVID). Enthusiasm around AI and the mega-cap names have been the main drivers behind the move. With the S&P 500's valuations trading in the 92nd percentile, the market is priced to perfection. The problem: any hint of disappointing news (whether macro or earnings related) could lead to a negative reaction. Case in point: news headlines this week around Apple's China sales plunging 24% in the first six weeks of the year. Not only did the news weigh on Apple's stock price, but it also dragged the S&P 500's Info Tech sector down 2.2% on the day—a prime example of what can happen when optimism meets disappointment. And while the market's top-heavy names can cause price swings in the overall Index, we expect the broader market to participate in the months ahead as the overall macro backdrop remains positive.
- **Investor Sentiment Is Optimistic |** With the S&P 500 notching its 18th record high for the year, investors have become increasingly optimistic this year. The relentless rally and stronger than expected economic data over the last few months has caused many Wall Street strategists to ratchet up their S&P 500 targets for the year—which is ironically the mirror opposite of the set-up at the start of 2023 when most Wall Street analysts were expecting a down year. In fact, the bears (i.e., those who think the stock market is going to fall) have gone into hibernation, at least according to the latest AAII sentiment survey. While investor sentiment is just below its recent maximum bullishness, bearish sentiment is extremely low (21.3%) relative to the past historical patterns. The overwhelming positive sentiment on stocks has carried over to consumers too. The latest Conference Board report revealed that consumers are the most optimistic on the stock market since February 2020. And from a contrarian standpoint, we are taking note. With these sentiment indicators moving more toward extreme bullishness, a near-term consolidation seems likely. However, over the longer term, fundamentals (such as earnings which are improving) should win out.
- **Macro Volatility Will Take The Front Seat |** The improving earnings outlook has been the key driver pushing stock prices to record highs as the market has remained relatively immune to the modest backup in interest rates seen since the beginning of the year. But with 4Q earnings season behind us, investors will need to wait five more weeks before they get a glimpse into how companies fared in 1Q24. In the interim, the market will likely turn to the macro backdrop to get clues on where earnings (and stock prices) may be heading. And with stock prices already reflecting positive developments on the economic and jobs front, any deviations from the soft-landing narrative could lead to a temporary setback. With our economist still expecting a growth slowdown, whether it's the softest-of-soft landings or the mildest-of-mild recessions, the market remains vulnerable to any less than stellar macro news. While caution is warranted in the near term, we remain optimistic overall as the Fed pivot to cutting interest rates, disinflationary trends and solid earnings growth should underpin stock prices over the long-run.

CHART OF THE WEEK

The Rally Continues!

The S&P 500 has rallied 17 of the last 19 weeks, a feat that has occurred in only three other time periods and not since 1964. Historically, this has led to muted performance on average in the following six months.



*These numbers reflect consensus data provided by FactSet.

ECONOMY

- The Services PMI was slightly weaker than expectations for February (52.6) but remained in expansion for 14 months in a row.* The Employment Subindex returned to contraction in February, while the Prices Subindex was down—a sign of relief for service firms.
- Job openings remained almost unchanged in January, at 8.86m, compared to the downwardly revised 8.89m for December. Job openings in January were slightly higher than FactSet consensus and continue to show labor market strength.
- Once again, employment came in higher than expected, adding 275,000 jobs, and the net revision to employment during the previous two months was 167,000 less jobs.* On the other hand, the unemployment rate (3.9%) increased to the highest since January 2022.
- **Focus of the Week:** Next week, economic reports will be centered around two dynamics: inflation and consumer strength. On the inflation side, the Consumer (CPI) and Producer (PPI) Price Indices will be released on Tuesday and Thursday, respectively, while Import and Export Prices will be released on Friday—along with consumer inflation expectations. Turning to the consumer, we will gauge their strength with Thursday's Retail Sales report, especially after the weakness we saw last month (-0.8% MoM).

March 11 – March 15

MON

TUE NFIB Small Business Index
CPI

WED

THU PPI
Retail Sales
Business Inventories

FRI Import/Export Price Indices
Michigan Sentiment
Industrial/Manufacturing Production

FUTURE EVENTS
3/19 Building Permits, Housing Starts
3/20 FOMC Meeting
3/21 Leading Economic Index

EQUITY

- Coming into 2024 the equity market was focused on two key risks, the trajectory of the economy and interest rates. These two risks actually contradict each other as a stronger economy likely comes with a lower chance of a material decline in rates. So, which one is more important to equities? The rolling correlation between equity performance and interest rate movements shows that large caps have become less negatively correlated to rates recently with a clear focus on the positive economic developments and improving earnings growth.* In contrast, small caps are having trouble breaking that negative correlation as these positive economic developments have not materialized into an earnings recovery as of 4Q23.
- This question is quite timely as optimism around an economic soft landing has improved over recent months. It's logical that YTD performance has broadened beyond growth sectors into some cyclicals, including Industrials and Financials. Areas that have been left out are defensives (i.e., Utilities and Real Estate) due to higher interest rate sensitivity. Utilities and Real Estate have nearly 3x the leverage (Debt to EBITDA) than the market with significantly lower interest coverage ratios.* Despite comparatively lower valuations, we don't see much opportunity for these sectors to outperform in the near term if the economy remains resilient.
- **Focus of the Week:** Next week we will be focused on inflation data's impact to interest rates and the correlation mentioned above. As long as inflation remains on a steady path without reacceleration, we expect the negative correlation to continue to moderate.

FIXED INCOME

- Powell largely kept to his script in his two-day testimony to Congress this week, stating that the Fed will cut rates when policymakers are confident that inflation is moving sustainably to the 2.0% target—adding that Fed officials are "not far" from having that confidence right now. His comments sparked a small bull steepening in the yield curve (i.e., 2-year yields fell more than 10-year yields) and gently pushed the 10-year Treasury yield below its 50-day moving average, which is seen as a positive technical signal for rates.* Treasury yields reacted positively to the employment report, with yields modestly lower after the release.
- The ECB held its key policy rate steady at 4.0%, as expected. However, policymakers signaled that rate cuts are coming providing inflation continues to head in the right direction, most likely at their June policy meeting. Strong wage demands from Japan's biggest labor union, above 5% for the first time since 1994, led to speculation the Bank of Japan could end its negative interest rate policy this month. The news pushed the yen stronger relative to the US dollar and weighed on Japanese equities.
- **Focus of the Week:** Focus for the bond market will shift to the upcoming inflation report, the last big data release before the FOMC meeting on March 20. There will also be $117 billion of 3-, 10- and 30-year new Treasury supply next week, which comes on top of a steady stream of corporate issuance.

POLITICS

- President Biden's Thursday State of the Union address set out his agenda for a potential second term, highlighting key policy messages aimed at energizing the Democratic base and resonating with independent voters. Ukraine aid was the first issue out of the gate, with his forceful push for Congress to pass the long-delayed $95 billion defense supplemental, potentially complicating its passage in the House given his subsequent tying of the delays to former President Trump. Other market-relevant topics included taxes, with his calls for an increase to the corporate tax rate to 28%, raising the corporate minimum to 21%, and a 25% tax for billionaires serving as a preview of what could happen under a Democratic sweep post-election. Biden also touted his administration's junk fee efforts and pushed for AI safety measures. The cadence of the speech was faster than what has been traditional, which we view as a tactic to address voter concerns around his age and vitality.

ENERGY

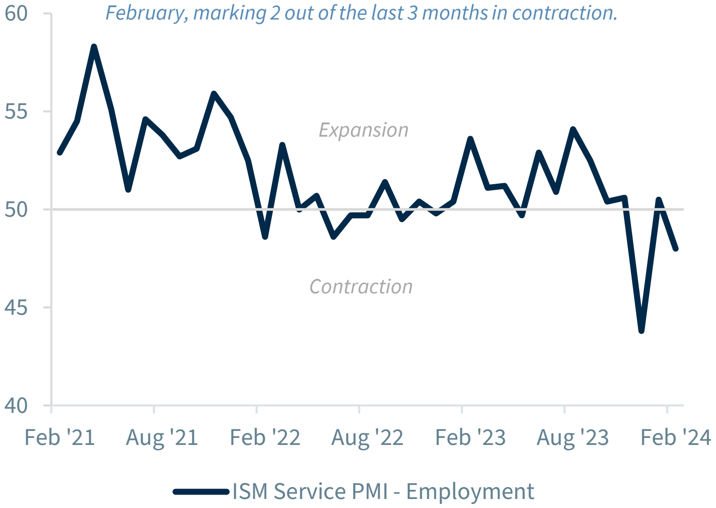
- This week, several of the world's largest oil-producing countries extended their production cuts through mid-2024. Led by Saudi Arabia and Russia, members of the OPEC+ group announced that production cuts totaling 2.2 million barrels per day (equating to just over 2% of global supply) will continue through at least June 30. So, is this bullish or bearish? It is the case that less supply is always a source of uplift for oil prices, all else being equal. At the same time, the fact that the cuts are being extended tells us that OPEC+ remains concerned about the risk of oversupply, amid heightened macroeconomic uncertainty and resulting questions about demand. If everything were rosy on the demand front, there would be less need for OPEC+ to cut supply (and thus reduce its own market share).

 *See Charts of the week on page 3.

Charts of the Week

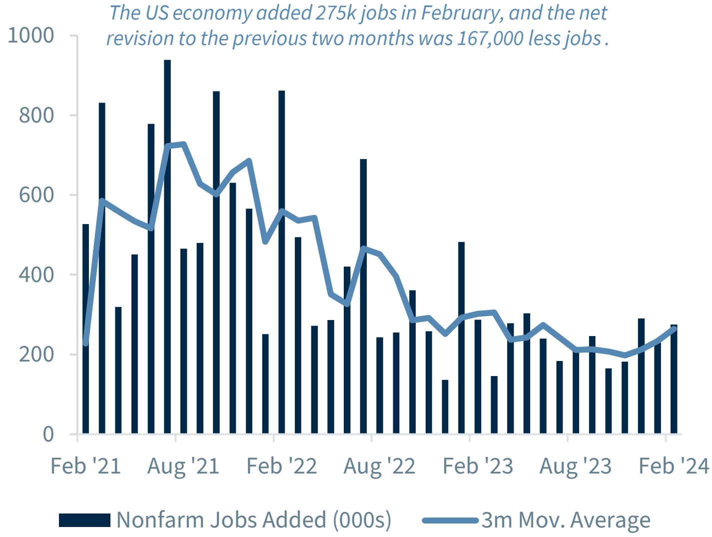
ISM Services: Employment Subindex

The employment subindex returned to contraction in February, marking 2 out of the last 3 months in contraction.



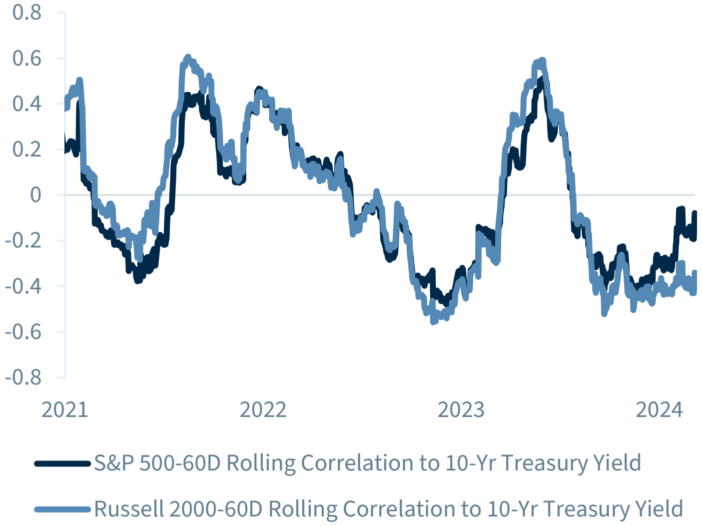
Employment Report

The US economy added 275k jobs in February, and the net revision to the previous two months was 167,000 less jobs .



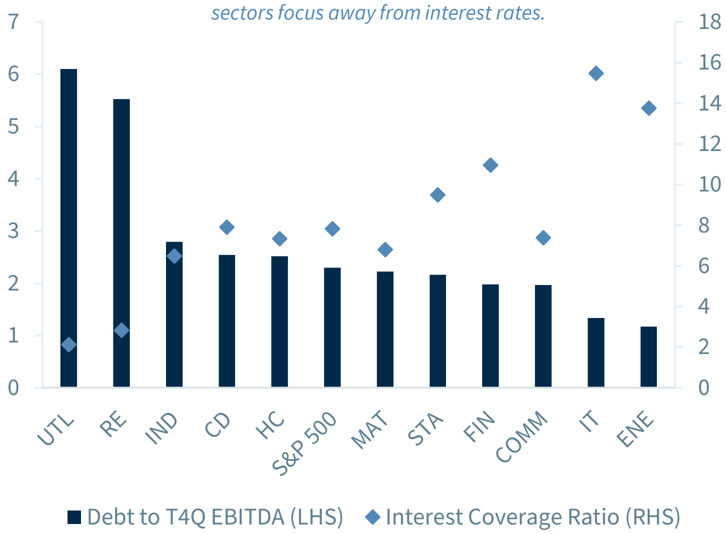
Equity/Rate Correlation Moderating

Large -cap equites have become less sensitive to interest rates recently while small caps struggle to break the negative correlation.



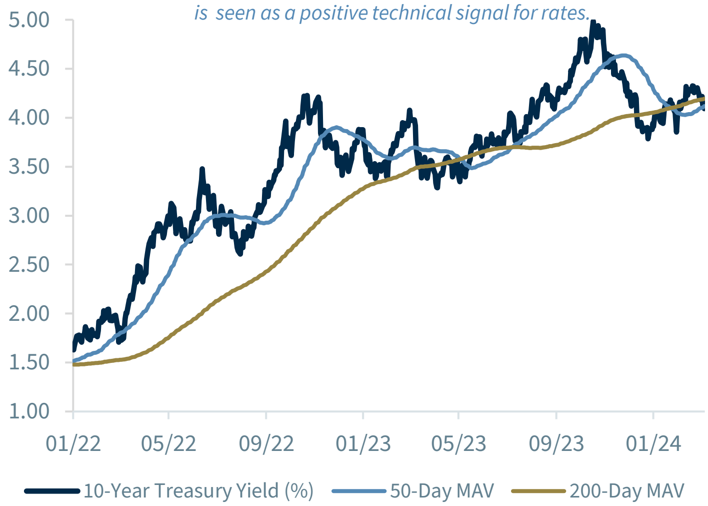
Highly Leveraged Businesses Struggle

Utilities and Real Estate are the only sectors down YTD due to higher leverage and lower interest coverage while other sectors focus away from interest rates.



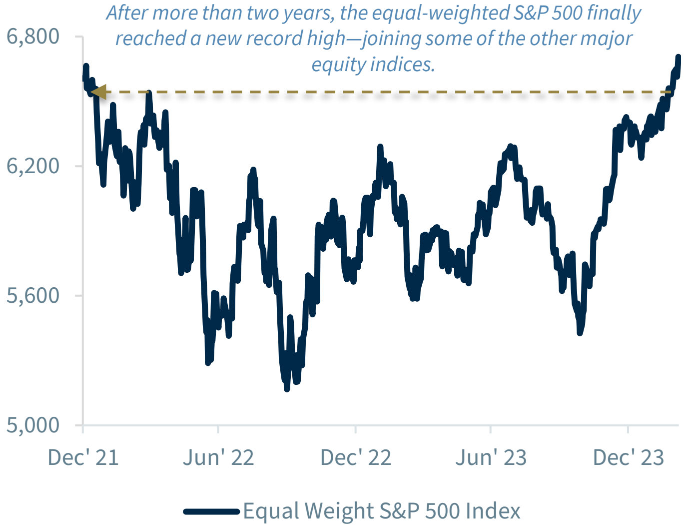
10-Year Breaks Key Technical Level

The 10-year Treasury yield fell below its 50-day moving average, which is seen as a positive technical signal for rates.



Equal-Weight S&P 500 Climbs To New High

After more than two years, the equal-weighted S&P 500 finally reached a new record high—joining some of the other major equity indices.



* Index definitions can be found on the disclosure pages

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

Weekly Returns (as of March 7)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	1.6%	1.2%	0.9%
Mid Cap	1.9%	1.8%	1.4%
Small Cap	1.1%	1.5%	1.9%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	2.0%	1.3%	1.0%
Mid Cap	1.0%	1.4%	-0.5%
Small Cap	1.4%	1.3%	0.4%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	0.1%	0.8%	1.3%
Invest. Grade	0.3%	0.8%	1.2%
High Yield	0.4%	0.6%	0.8%

Year-to-Date Returns (as of March 7)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	5.4%	8.2%	10.5%
Mid Cap	4.9%	6.0%	8.5%
Small Cap	-0.4%	3.1%	6.7%

International Equities (MSCI indices)

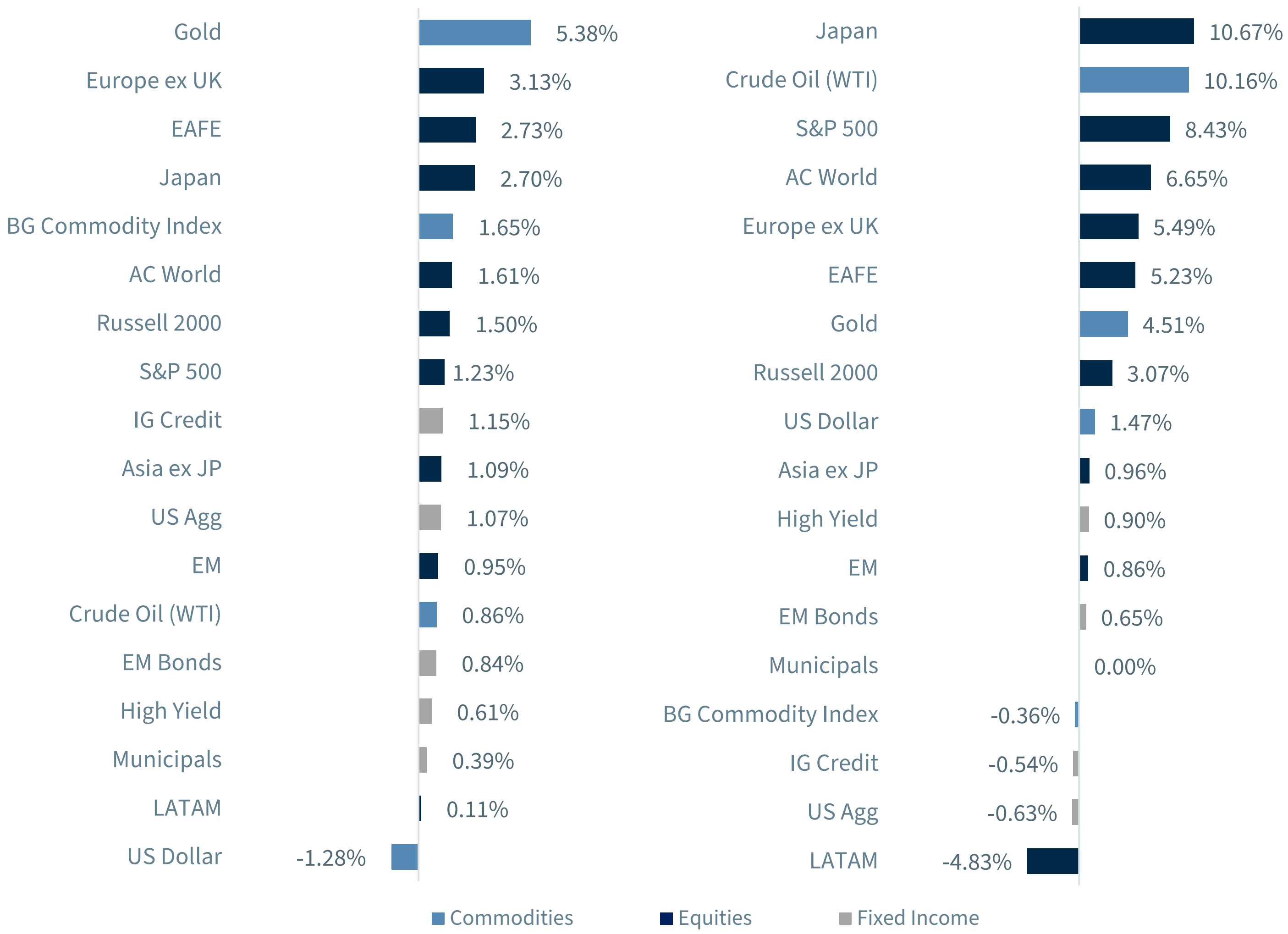
	Dev. Mkt	World	Emerg. Mkt
Large Cap	8.4%	7.9%	2.4%
Mid Cap	4.7%	5.1%	1.4%
Small Cap	3.7%	3.3%	3.3%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	1.0%	-0.5%	-1.1%
Invest. Grade	0.6%	0.1%	-0.4%
High Yield	1.4%	0.9%	1.2%

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

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 March 7

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	5157.4	1.2	1.2	8.4	31.5	12.0	15.3	12.7
DJ Industrial Average	38791.4	(0.5)	(0.5)	2.9	18.1	7.2	8.8	9.0
NASDAQ Composite Index	16273.4	1.1	1.1	8.4	41.1	8.0	17.0	14.1
Russell 1000	5436.7	1.2	1.2	8.2	29.8	10.7	14.4	12.4
Russell 2000	5181.1	1.5	1.5	3.1	10.0	(0.9)	6.9	7.1
Russell Midcap	8440.9	1.8	1.8	6.0	15.5	5.5	10.3	9.5

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	564.9	2.6	2.6	5.0	12.5	8.3	12.9	8.7
Industrials	1035.2	1.3	1.3	7.6	22.2	11.3	12.6	10.7
Comm Services	272.1	(0.1)	(0.1)	10.9	55.3	5.5	13.1	9.3
Utilities	320.7	2.4	2.4	0.4	0.5	5.4	5.5	8.4
Consumer Discretionary	1459.7	(1.7)	(1.7)	3.1	32.5	6.0	12.2	11.9
Consumer Staples	802.8	1.8	1.8	5.7	9.9	9.5	10.7	9.2
Health Care	1707.3	1.3	1.3	7.7	17.5	10.9	12.4	11.4
Information Technology	3845.0	2.6	2.6	13.4	60.0	20.4	27.1	22.0
Energy	665.9	2.1	2.1	4.9	5.8	23.7	11.6	4.1
Financials	672.7	0.4	0.4	7.8	17.8	8.5	11.7	10.6
Real Estate	248.3	1.6	1.6	(0.8)	9.3	6.1	6.2	8.1

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	5.4	0.1	0.1	1.0	5.3	2.5	2.0	1.3
2-Year Treasury (%)	4.5	0.3	0.3	0.2	4.4	(0.3)	1.0	0.8
10-Year Treasury (%)	4.1	1.3	1.3	(1.1)	2.7	(4.5)	(0.4)	1.0
Bloomberg US Corporate HY	7.9	0.6	0.6	0.9	11.3	2.1	4.3	4.4
Bloomberg US Aggregate	4.8	1.1	1.1	(0.6)	4.9	(2.6)	0.7	1.6
Bloomberg Municipals	--	0.4	0.4	0.0	5.8	(0.2)	1.9	2.8
Bloomberg IG Credit	5.3	1.1	1.1	(0.5)	7.2	(2.0)	1.9	2.7
Bloomberg EM Bonds	7.1	0.8	0.8	0.7	9.0	(1.9)	1.2	2.9

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	78.9	0.9	0.9	10.2	1.7	6.1	6.9	(2.6)
Gold ($/Troy Oz)	2165.2	5.4	5.4	4.5	19.0	8.4	11.0	4.9
Bloomberg Commodity Index	98.3	1.6	1.6	(0.4)	(7.1)	4.6	4.1	(3.2)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	102.8	(1.3)	(1.3)	1.5	(2.6)	3.8	1.0	2.6
Euro	1.1	1.0	1.0	(1.1)	3.2	(2.8)	(0.5)	(2.3)
British Pound	1.3	1.1	1.1	0.3	7.7	(2.5)	(0.5)	(2.6)
Japanese Yen	148.1	1.0	1.0	(4.8)	(7.7)	(9.9)	(5.5)	(3.5)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	773.1	1.6	1.6	6.7	24.9	7.8	11.6	9.1
MSCI EAFE	2344.7	2.7	2.7	5.2	17.6	6.1	8.0	5.2
MSCI Europe ex UK	2647.6	3.1	3.1	5.5	19.2	8.0	10.0	5.8
MSCI Japan	4091.1	2.7	2.7	10.7	27.9	4.4	8.4	6.8
MSCI EM	1030.3	0.9	0.9	0.9	7.5	(5.7)	2.6	3.5
MSCI Asia ex JP	646.7	1.1	1.1	1.0	3.4	(7.7)	2.3	4.4
MSCI LATAM	2523.0	0.1	0.1	(4.8)	22.8	11.5	4.2	2.9
Canada S&P/TSX Composite	16171.1	2.0	2.0	4.0	7.5	5.8	6.3	4.3

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

DISCLOSURES

All expressions of opinion reflect the judgment of the author(s) and the Investment Strategy Committee and are subject to change. This information should not be construed as a recommendation. The foregoing content is subject to change at any time without notice. Content provided herein is for informational purposes only. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct. Past performance is not a guarantee of future results. Indices and peer groups are not available for direct investment. Any investor who attempts to mimic the performance of an index or peer group would incur fees and expenses that would reduce returns. No investment strategy can guarantee success. Economic and market conditions are subject to change. Investing involves risks including the possible loss of capital.

The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Diversification and asset allocation do not ensure a profit or protect against a loss.

INTERNATIONAL INVESTING | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

SECTORS | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

OIL | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

CURRENCIES | Currency investing is generally considered speculative because of the significant potential for investment loss. These markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

GOLD | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

FIXED INCOME | Fixed-income securities (or bonds) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. A credit rating of a security is not a recommendation to buy, sell or hold the security and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning Rating Agency. Ratings and insurance do not remove market risk since they do not guarantee the market value of the bond.

US TREASURYS | US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value.

CONSUMER PRICE INDEX | The Consumer Price Index (CPI) measures the overall change in consumer prices based on a representative basket of goods and services over time.

PRODUCER PRICE INDEX | The Producer Price Index (PPI) is a measure of wholesale inflation, while the Consumer Price Index measures the prices paid by consumers.

PERSONAL CONSUMPTION 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.

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

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

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

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 Leading Economic Index (LEI) provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term. The index is composed of 10 economic components whose changes tend to precede changes in the overall economy.

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

Certified Financial Planner Board of Standards Inc. owns the certification marks CFP® and CERTIFIED FINANCIAL PLANNER6 in the U.S.

Investments & Wealth Institute™ (The Institute) is the owner of the certification marks "CIMA" and "Certified Investment Management Analyst." Use of CIMA and/or Certified Investment Management Analyst signifies that the user has successfully completed The Institute's initial and ongoing credentialing requirements for investment management professionals.

CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

DATA SOURCE | FactSet, Bloomberg as of 3/7/2024

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.

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.

INTERNATIONAL DISCLOSURES

FOR CLIENTS IN THE UNITED KINGDOM | For clients of Raymond James Financial International Limited (RJFI): This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in the FCA rules or persons described in Articles 19(5) (Investment professionals) or 49(2) (high net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended)or any other person to whom this promotion may lawfully be directed. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

FOR CLIENTS OF RAYMOND JAMES INVESTMENT SERVICES, LTD.: This document is for the use of professional investment advisers and managers and is not intended for use by clients.

FOR CLIENTS IN FRANCE | This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in "Code Monetaire et Financier" and Reglement General de l'Autorite des marches Financiers. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

FOR CLIENTS OF RAYMOND JAMES EURO EQUITIES | Raymond James Euro Equities is authorised and regulated by the Autorite de Controle Prudentiel et de Resolution and the Autorite des Marches Financiers.

FOR INSTITUTIONAL CLIENTS IN THE EUROPEAN ECONOMIC AREA (EE) OUTSIDE OF THE UNITED KINGDOM | This document (and any attachments or exhibits hereto) is intended only for EEA institutional clients or others to whom it may lawfully be submitted.

FOR CANADIAN CLIENTS | This document is not prepared subject to Canadian disclosure requirements, unless a Canadian has contributed to the content of the document. In the case where there is Canadian contribution, the document meets all applicable IIROC disclosure requirements.

Investment Strategy

Lawrence V. Adam III, CFA, CIMA®, CFP®
Chief Investment Officer
T. 410.525.6217
larry.adam@raymondjames.com

Eugenio J. Alemán, PhD
Chief Economist
T. 727.567.2603
eugenio.aleman@raymondjames.com

Talley Léger
Senior Equity Strategist
T. 410.525.6234
talley.leger@raymondjames.com

Tracey Manzi, CFA
Senior Investment Strategist
T. 727.567.2211
tracey.manzi@raymondjames.com

Matt Barry, CFA
Investment Strategy Analyst
T. 410.525.6228
matt.barry@raymondjames.com

Anne B. Platt, AWMA®, RICP, AIF®
Vice President, Investment Strategy
T. 727.567.2190
anne.platt@raymondjames.com

Giampiero Fuentes, CFP®
Economist
T. 727.567.5776
giampiero.fuentes@raymondjames.com

Matt Hanna, CFA, FRM, CAIA®
Director of Asset Allocation and Quant. Strategy
T. 727.567.4978
matt.hanna@raymondjames.com

Matthew Ziyadeh, CFA, CIPM®
Investment Strategy Analyst
T. 727.567.8984
matthew.kurayaziyadeh@raymondjames.com

Mike Payne
Investment Strategy Analyst
T 410.525.6232
mike.payne@raymondjames.com

Lindsay Smith
Investment Strategy Analyst
T. 727.567.3335
lindsay.smith@raymondjames.com

Adolfo Cheong
Investment Strategy Analyst
T 410.525.6256
adolfo.cheong@raymondjames.com

Kyle Noonan
Investment Strategy Analyst
T 410.525.6231
kyle.noonan@raymondjames.com

Freddy Otero
Investment Strategy Analyst
T. 410.525.6237
freddy.otero@raymondjames.com

RAYMOND JAMES

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER

880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863

RAYMONDJAMES.COM