THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

This Monday would've been Muhammed Ali's 80th birthday! The Champ is regarded as one of the iconic athletes of the 20th century given his status as a three-time world heavyweight boxing champion and Olympic gold medalist. But his nickname 'The Greatest' may just have to be shared with the earnings results we witnessed throughout 2021, as record earnings growth, earnings beats, and net margins drove the S&P 500 to all-time highs. As we enter the fourth round (4Q21), we expect this quarter to be a heavy hitting season that solidifies our expectation for another above-consensus earnings growth year in 2022. With Big Banks starting to report today, we're reflecting on the expectations for the season and anticipating CEO commentary that could shed light on whether or not 2022 will follow in 2021's footsteps.

Key Takeaways

Expecting Fourth Quarter Of +20% Earnings Growth

Investors Will Take Note Of Companies That Miss Estimates

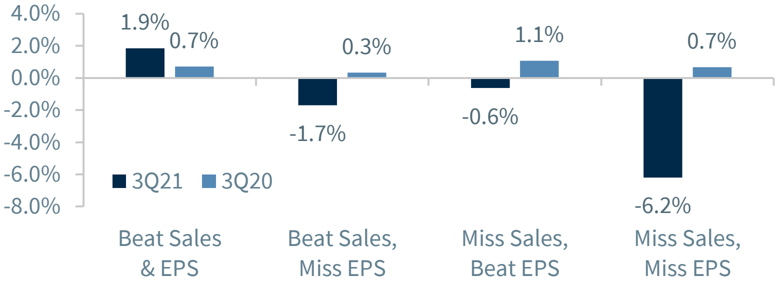
CEO Commentary Will Provide Critical Insights For 2022

- **2021 Earnings Will Pack A Punch |** Annual earnings estimates are typically revised down ~5%*, on average, from the start of the year to the end. In fact, they were lowered in 15 of the last 22 years! But 2021 has been a huge exception, with earnings per share being revised up ~23% year-to-date. With our 2022 above-consensus S&P 500 earnings estimate of $235, the upward trend in revisions should continue to defy the odds. Key factors to monitor that could influence the path to this year's earnings include:
  - **Earnings Growth Will Not Throw In The Towel |** The S&P 500 should notch its fourth consecutive quarter of 20%+ EPS growth for the first time since 3Q10 (post Great Financial Crisis) and for the second time since 2002. While decelerating for the second straight quarter from its recent peak of ~92% in 2Q21, earnings growth should remain elevated at ~22%. However, this is likely the last quarter of easy comparisons as the earnings environment transitions to a more normal environment for 2022.*
  - **Beats Won't Fall Below The Belt |** The earnings tailwind on performance is undeniable. Since 2Q20, the S&P 500 has been up ~5%, on average, and positive 100% of the time during reporting seasons (season lasts seven weeks). This strength has been driven by companies far exceeding EPS estimates, beating by ~18%, on average, and by more than 10% for the last six quarters for the first time on record. The magnitude of beats will likely moderate this quarter to below 10%, but remain above the long-term historical average of ~5%. A better-than-expected earnings season would help corporate fundamentals overshadow the macro headwinds (e.g., inflation, Fed tightening, COVID) and help the equity market regain its positive momentum after a choppy start to the year. More important, as we saw during the 3Q21 earnings season, investors will be more discerning assessing the winners and losers. Companies that miss on either revenues or earnings will be penalized more from a stock price reaction than companies are rewarded for beating on both the top and bottom line.
  - **Sales Will Still Come Out Swinging |** With 2021 nominal GDP expected to be just under 10%, it should be no surprise that revenue growth is forecasted to remain strong at ~13% YoY this quarter—nearly 3 times the 10-year average of 4.5%.
  - **Margins Not Down For The Count Just Yet |** Margins are expected to compress from the recent peak* (12.2 versus 13.9 in 2Q21), but remain elevated in a historical context. This slight decline will be driven by the Financials, Consumer Discretionary, and Real Estate sectors; but Technology margins, the sector with the highest overall margins at ~25%, should remain resilient.
- **Forward Guidance Gives Us A Ringside Seat |** Earnings results are a scorecard of the trailing quarter, but the accompanying CEO guidance should give critical insights into what is to come in the new year. Here are a few topics to monitor:
  - **Omicron May Put Services Demand On The Ropes |** The recent surge in cases has led to a modest downturn in mobility metrics, leading most COVID-sensitive areas (hotels, cruise lines, restaurants, airlines, etc.) to experience downward EPS revisions. With consumer fundamentals remaining healthy, insights from CEOs on the magnitude and longevity of the recent Omicron surge on demand (particularly to services sectors) will be important.
  - **Companies Will Try To Bob And Weave Inflation's Blows |** Evidenced by CPI rising at the fastest pace in 40 years in December, rising input prices, supply chain disruptions and elevated wages have led to significant cost pressures. How businesses are mitigating these pressures and whether or not they can pass on higher prices will be the focus for margins.
  - **Balance Sheets Have Companies On The Front Foot |** S&P 500 companies still have record cash on their balance sheets, and we anticipate further capital expenditures, dividend increases, and share buybacks. With capex plans in Regional Fed surveys near cyclical highs, dividends growing at 8% YOY, and share buybacks at record levels, a continuation of these trends will be a tailwind for the equity market.

CHART OF THE WEEK

Companies May Take Missed Earnings Estimates On The Chin

In the midst of the pandemic, there was little price performance delineation between companies who beat versus missed earnings and sales estimates. However in the third quarter, investors became more discerning when it came to the earnings winners and losers, and we expect this trend to continue in the 4Q21 earnings season.



Average 3-Day Company Performance Following Reporting Results Relative to S&P 500

*See Charts of the week on page 3.

RAYMOND JAMES

ECONOMY

- In his re-confirmation hearing, Powell was not as hawkish as feared, emphasizing that low inflation is a necessary condition for max. employment and financial stability. He did not hint at a sharp rise in short-term interest rates as markets had feared.
- CPI rose 7.0% in 2021, the largest increase in nearly 40 years. Ex. food and energy, CPI rose 5.5% y/y, partly reflecting higher prices for new and used vehicles and rising rents. PPI was lower than expected showing a retreat in food and gasoline prices.
- The Fed's Beige Book noted "a modest pace" of growth, although demand for materials and workers remained elevated. Omicron contributed to a sudden pullback in leisure travel, hotel occupancy, and restaurant patronage.
- Retail sales fell 1.9% in Dec (+ 16.9% y/y) reflecting earlier holiday shopping, the Omicron variant, and reduced purchasing power.*
- **Focus of the Week:** Next week, the economic calendar is thin. Residential construction figures are often distorted in December. A drop in jobless claims will lead to another large gain in the Index of Leading Economic Indicators.

January 17- January 21

MON Markets Closed (MLK Holiday)

TUE NAHB Housing Market Index

WED Building Permits
Housing Starts

THU Existing Home Sales

FRI Leading Economic Indicators (LEI)

FUTURE EVENTS 1/26 FOMC Meeting
1/27 4Q21 GDP

US EQUITY

- Q4 earnings season began and will likely be the dominant influence for several weeks. Over the next week, results will be Financials-heavy. The impact from COVID's surge over the past month, along with company outlooks on inflation and margins will be key to monitor. We expect a positive earnings season overall as demand remains elevated and margins continue to hold up well at high levels. The magnitude of earnings surprises is also likely to moderate in Q4, continuing the recent trend following historically sharp beats out of the 2020 pandemic shutdown. The 'early Q4 reporters' are beating estimates by 7.5% (below Q3's 10.1% but above the 5.3% 15-year average).* Since Omicron emerged in late November, we note the best Q4 estimate revisions have come from Energy, Industrials, Consumer Staples, and Consumer Discretionary in aggregate. Health Care and Materials stand out as the best estimate revisions for 2022 thus far.
- **Focus of the Week:** Our bias for rates is higher as the Fed removes its ultra-lenient policy and the economic recovery progresses. Elevated economic surveys in Q4 bode well for elevated earnings beats, though we expect a moderation from the past few quarters.

FIXED INCOME

- The Treasury market had its worst start of the year in decades as it recalibrated the Fed's rate outlook for 2022, with expectations now pointing to a March liftoff in rates and the possibility of 4 hikes by year end. With the balance sheet unwind now raised as a possibility this year, the markets were clearly spooked. The Fed spent most of 2021 preparing the market for the taper, so the discussion about the balance sheet unwind, so soon after an accelerated taper, caught the market off guard.
- 10-year Treasurys seem to have found their footing after taking out the March 2021 highs, with yields back down to 1.7%. While 4 rate hikes may sound aggressive, it is the average number of times the Fed tightens in the 1st year of the cycle. However, a possible balance sheet run-off, in whatever form that may take, will add another level of uncertainty to the market until we get more clarity.
- **Focus of the Week:** Labor is surfacing as a potential issue. Signs appear everywhere looking for employees yet the unemployment rate is nearing what the Fed sees as 'fully employed.' Continuing claims reached a five-year low in December. In a light data release short week, jobless claims may have the potential for the greatest impact.

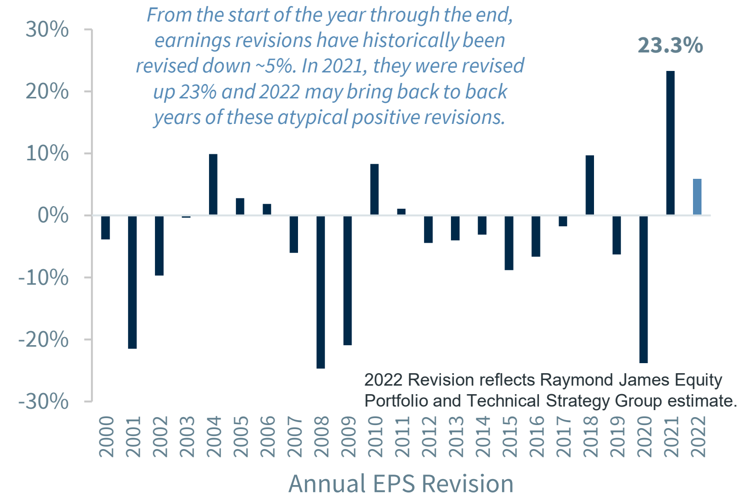
COVID & POLITICS

- **COVID-19:** The Omicron variant has reached the 95% of US cases level seen previously with the Delta variant. The major COVID-19 vaccine developers have responded by initiating development of new Omicron-specific vaccines/boosters. Pfizer announced this week that they are already producing a hybrid version of Comirnaty that will combine original and Omicron-specific vaccine components, which they expect to be potentially ready for authorization in March. Moderna, is working on multiple multivalent and variant-specific booster candidates targeting enhanced protection against Omicron, however, both Moderna and Pfizer remain bullish that boosting with their original vaccine formulations is a powerful strategy against Omicron. Thus far, real-world efficacy data coming out of South Africa and the UK supports this viewpoint. Vaccine developers are prioritizing rapid development of Omicron-specific vaccines, but it is still unclear at this point if they will provide substantially superior protection vs. boosting with current vaccines, or if Omicron will even be the dominant variant by the time they are available.
- **Global COVID:** US COVID hospitalizations this past week set an all-time global record of 1.3 million. The situation is even worse in Europe: 3% of France's and Ireland's population tested positive, with Denmark and Portugal not far behind, versus the US figure of 1.6%. The WHO predicted that half of Europe's population may be infected by Omicron before the end of the winter. However, South Africa's daily cases are down 90% from the peak of mid-December, and the UK is down 30% month-to-date. This week also marked a milestone in global vaccination: 60% of the world's population have received at least one dose. Among the G20 major economies, China and South Korea are the most highly vaccinated, essentially tied at 87%; the European Union is at 74%, and the US 73%.
- **Politics:** Diplomatic meetings this week on Ukraine security concerns have not produced a clear pathway to deescalating tensions which may heighten market risk in the weeks ahead as uncertainty tied to sanctions and economic disruption persists. Congress is moving closer to potential passage of a Russia sanctions bill that would hit primary and secondary transactions of Russia's sovereign bonds, sanction Russian banks, and restrict Russia's access to the SWIFT international payments system in the event of further escalation. While these measures have been floated by the Biden administration, Congressional backing signals a more unified position for a response from the US government. The administration is also keeping focus on voting rights legislation that may impact other aspects of the domestic agenda. The debate on changes to Senate filibuster rules could direct more partisan pressures at Senators Manchin (D-WV) and Sinema (D-AZ), potentially making a deal on the Build Back Better (BBB) legislation more difficult to achieve before the State of the Union address on March 1 – the next likely target date for getting a bill across the finish line.

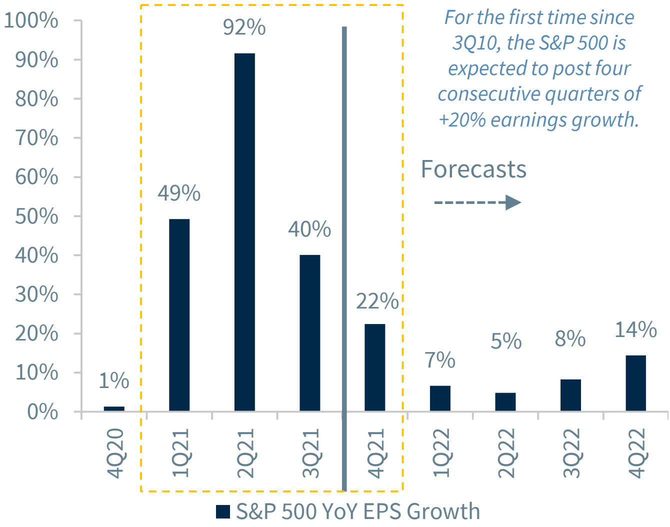
*See Charts of the week on page 3.

Charts of the Week

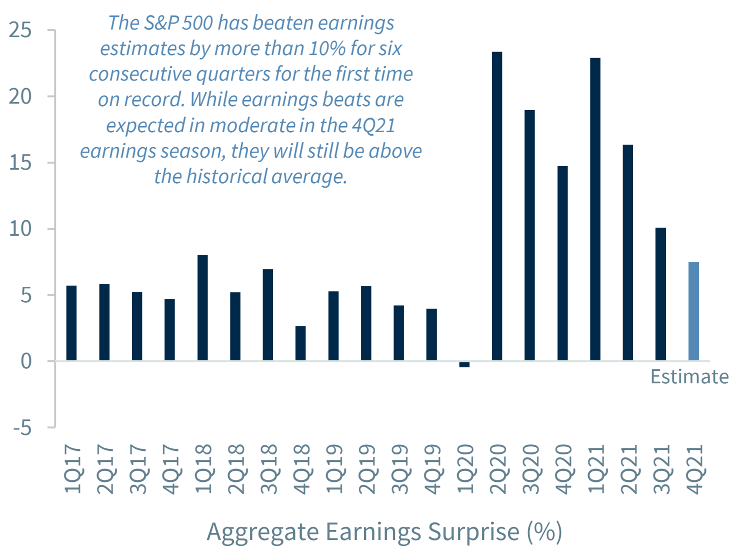
Atypical Path For 2021 Earnings Revisions



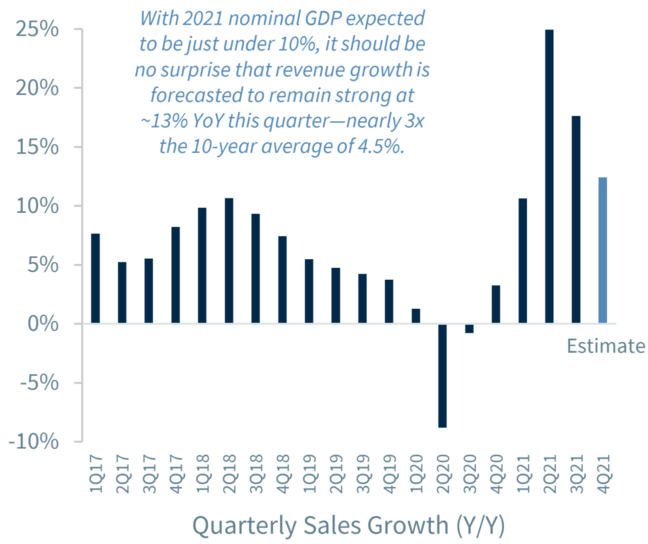
A Streak Of Strong Earnings



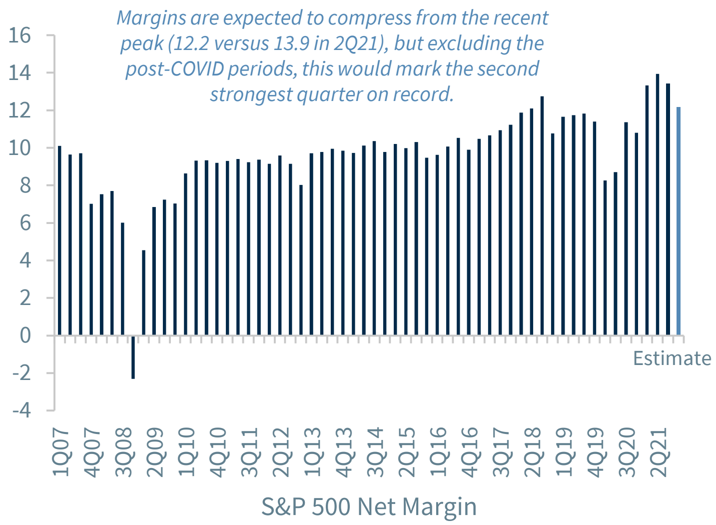
A Streak Of Above-Average Earnings Beats



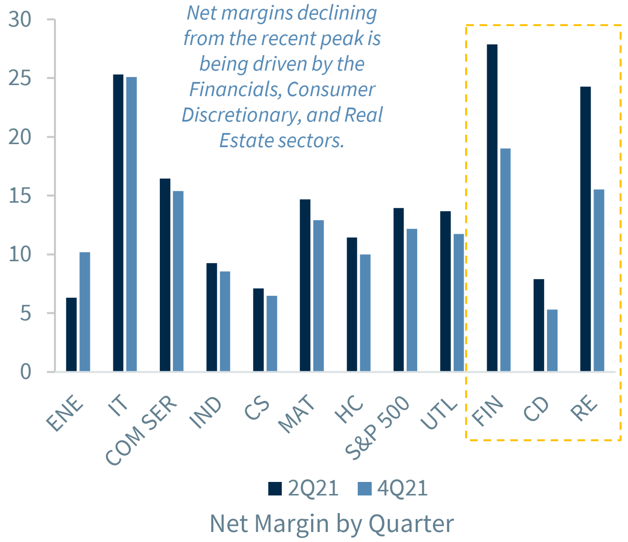
Sales Growth Remains Resilient



Net Margins Still Elevated From Historical Perspective



Moderating Margins Led By Select Sectors



* Index definitions can be found on the disclosure pages

RAYMOND JAMES

Asset Class Performance | Distribution by Asset Class and Style (as of January 13)**

Weekly Returns (as of January 13)

US Equities (Russell indices)	Value	Blend	Growth
Large Cap	**0.6%**	**-0.9%**	**-2.2%**
Mid Cap	**0.1%**	**-1.1%**	**-3.2%**
Small Cap	**-0.7%**	**-2.1%**	**-3.6%**

International Equities (MSCI indices)	Dev. Mkt	World	Emerg. Mkt
Large Cap	**0.4%**	**0.0%**	**3.5%**
Mid Cap	**-0.7%**	**-0.5%**	**1.5%**
Small Cap	**-0.5%**	**-0.7%**	**0.8%**

Fixed Income (Bloomberg indices)	1-3 YR	Medium	Long
Treasury	**0.0%**	**0.0%**	**0.3%**
Invest. Grade	**0.0%**	**-0.1%**	**-0.1%**
High Yield	**0.0%**	**0.1%**	**-0.4%**

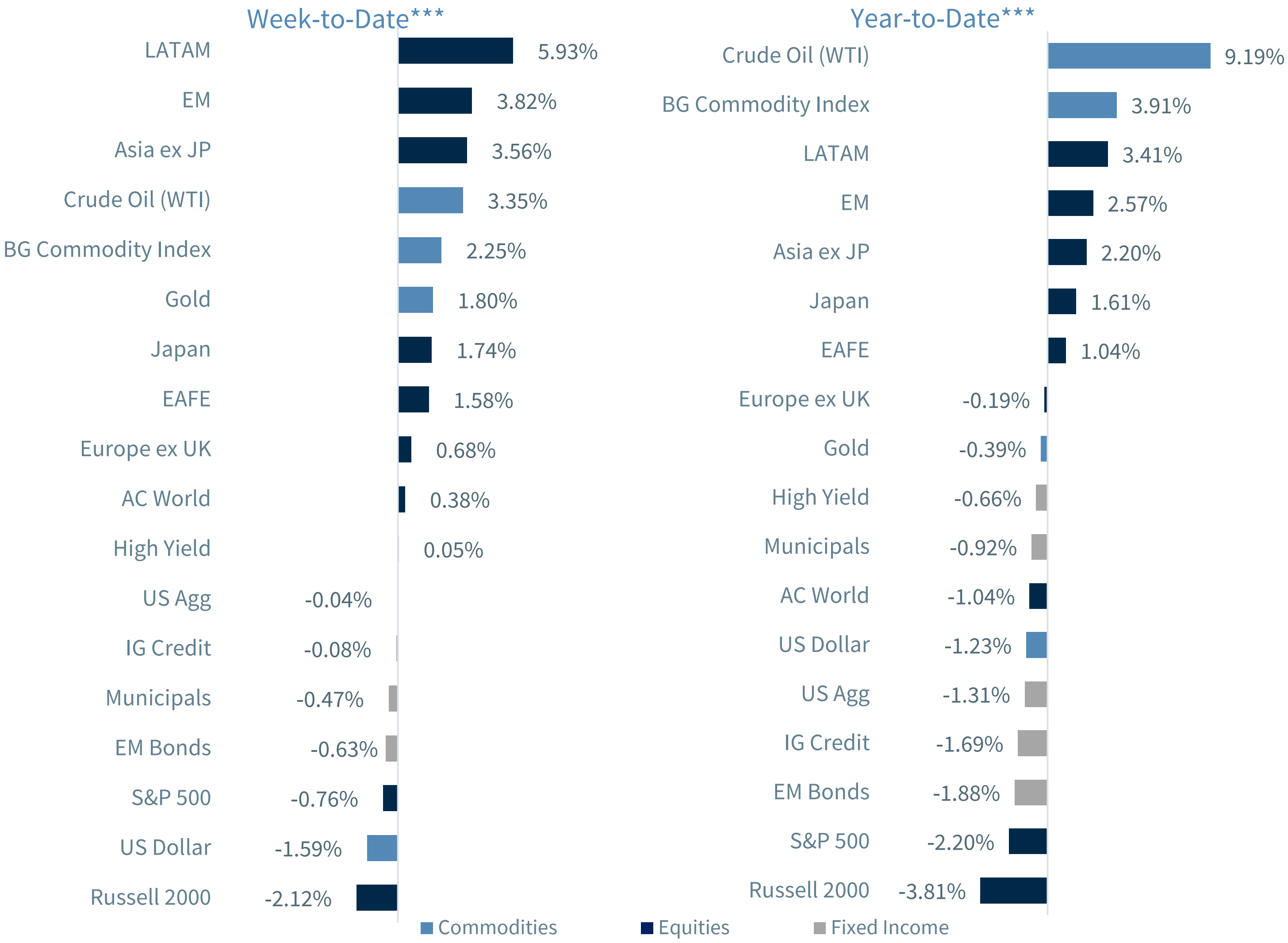
Year-to-Date Returns (January 13)

US Equities (Russell indices)	Value	Blend	Growth
Large Cap	**1.1%**	**-2.6%**	**-5.9%**
Mid Cap	**0.1%**	**-3.2%**	**-9.0%**
Small Cap	**-0.1%**	**-3.8%**	**-7.5%**

International Equities (MSCI indices)	Dev. Mkt	World	Emerg. Mkt
Large Cap	**0.6%**	**-1.1%**	**2.7%**
Mid Cap	**-1.3%**	**-2.1%**	**0.2%**
Small Cap	**-1.2%**	**-1.7%**	**-0.2%**

Fixed Income (Bloomberg indices)	1-3 YR	Medium	Long
Treasury	**0.0%**	**-1.0%**	**-1.8%**
Invest. Grade	**-0.3%**	**-0.9%**	**-1.4%**
High Yield	**-0.2%**	**-0.5%**	**-2.3%**

Asset Class Performance | Weekly and Year-to-Date (as of January 13)**



**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 January 13

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	4659.0	(0.8)	(2.2)	(2.2)	24.0	23.6	17.6	16.0
DJ Industrial Average	36113.6	(0.3)	(0.6)	(0.6)	16.3	14.6	12.7	11.3
NASDAQ Composite Index	14806.8	(1.8)	(5.4)	(5.4)	12.8	28.5	21.6	18.5
Russell 1000	4952.8	(0.9)	(2.6)	(2.6)	26.5	26.2	18.4	16.5
Russell 2000	5366.7	(2.1)	(3.8)	(3.8)	14.8	20.0	12.0	13.2
Russell Midcap	8248.9	(1.1)	(3.2)	(3.2)	22.6	23.3	15.1	14.9

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	562.6	0.2	(1.2)	(1.2)	18.6	22.2	14.3	11.8
Industrials	900.3	(0.1)	0.6	0.6	20.4	18.4	12.6	13.7
Comm Services	260.3	(0.2)	(2.5)	(2.5)	22.1	22.3	11.2	11.3
Utilities	355.1	(0.0)	(2.4)	(2.4)	15.1	13.2	11.3	11.1
Consumer Discretionary	1552.9	(2.7)	(3.6)	(3.6)	16.0	24.4	19.7	18.7
Consumer Staples	802.8	(0.4)	(0.2)	(0.2)	20.8	18.0	11.8	12.4
Health Care	1565.7	(0.5)	(4.7)	(4.7)	16.7	17.4	15.8	16.4
Information Technology	2884.6	(1.9)	(5.6)	(5.6)	27.4	38.8	29.8	23.0
Energy	480.2	4.2	13.6	13.6	54.1	6.4	1.4	2.5
Financials	686.0	1.3	5.6	5.6	34.2	21.6	14.2	16.2
Real Estate	306.2	(1.3)	(5.7)	(5.7)	41.8	19.0	13.6	12.3

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	0.1	0.0	0.0	0.0	0.0	0.9	1.1	0.6
2-Year Treasury (%)	0.9	(0.0)	(0.3)	(0.3)	(0.8)	1.8	1.4	0.9
10-Year Treasury (%)	1.7	0.3	(1.8)	(1.8)	(3.8)	4.5	3.0	2.2
Bloomberg US Corporate HY	5.0	0.1	(0.7)	(0.7)	4.4	7.5	5.9	6.6
Bloomberg US Aggregate	2.0	(0.0)	(1.3)	(1.3)	(2.1)	4.3	3.2	2.7
Bloomberg Municipals	--	(0.5)	(0.9)	(0.9)	0.6	4.3	3.7	3.5
Bloomberg IG Credit	2.6	(0.1)	(1.7)	(1.7)	(1.7)	6.8	4.8	4.4
Bloomberg EM Bonds	4.6	(0.6)	(1.9)	(1.9)	(2.4)	4.7	4.0	4.9

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	82.1	3.3	9.2	9.2	55.2	16.8	9.4	(1.8)
Gold ($/Troy Oz)	1821.4	1.8	(0.4)	(0.4)	(1.8)	12.2	8.8	1.1
Dow Jones-UBS Commodity Index	103.0	2.2	3.9	3.9	27.8	9.0	3.1	(3.1)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	94.8	(1.6)	(1.2)	(1.2)	4.9	(0.3)	(1.3)	1.5
Euro	1.1461	1.5	0.8	0.8	(5.8)	(0.0)	1.5	(1.0)
British Pound	1.3734	1.5	1.4	1.4	0.7	2.3	2.4	(1.1)
Japanese Yen	114.13	1.4	0.9	0.9	(8.9)	(1.7)	0.2	(3.9)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	746.7	0.4	(1.0)	(1.0)	15.0	19.0	14.2	12.1
MSCI EAFE	2359.6	1.6	1.0	1.0	10.4	13.0	9.7	8.6
MSCI Europe ex UK	2631.1	0.7	(0.2)	(0.2)	14.7	16.3	11.8	10.4
MSCI Japan	3913.5	1.7	1.6	1.6	0.9	11.2	8.6	8.8
MSCI EM	1263.3	3.8	2.6	2.6	(5.1)	10.9	10.0	5.7
MSCI Asia ex JP	806.6	3.6	2.2	2.2	(8.0)	12.2	11.1	8.1
MSCI LATAM	2201.5	5.9	3.4	3.4	(6.7)	(4.0)	1.8	(2.0)
Canada S&P/TSX Composite	17051.4	1.0	0.3	0.3	18.7	12.5	6.6	5.7

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

DISCLOSURES

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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.

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DATA SOURCE | FactSet, as of 1/14/2022

DOMESTIC EQUITY DEFINITION

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.

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.

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.

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).

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.

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